The MAGAZINE of WALL STREET

October 5th 1929

C. G. Wyckoff
PUBLISHER

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Bank and Insurance Number

Banks Meet New Problems

By J. W. Pole, Comptroller of the Currency

Position and Outlook for

84 Bank and Insurance Stocks

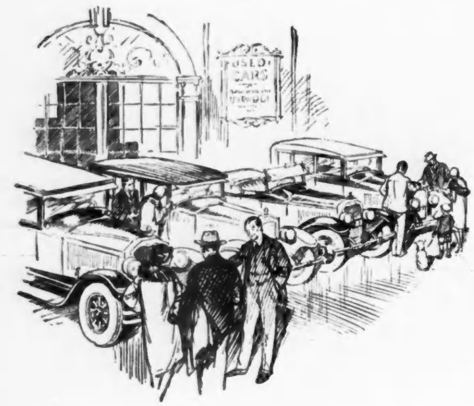
Long Range Profits in Oils

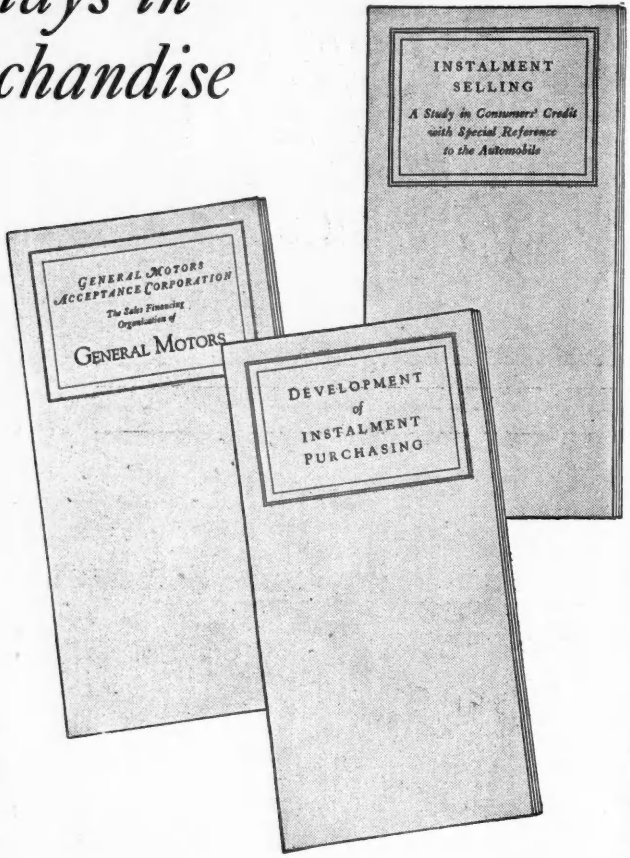
By A. T. Miller

Vol. 44 No. 12

INSTALMENT SELLING

The part it plays in marketing merchandise





THE subject of instalment selling is of special interest not only to bankers and business men, but to everyone who has to do with the distribution of merchandise wherein consumers' credit plays a part.

General Motors has issued a booklet entitled "Instalment Selling—a study in consumers' credit with special reference to the automobile industry." This is a résumé of the research by Professor Edwin R. A. Seligman, which covered fifteen months of study and included every phase of business in which instalment selling is a factor.

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Vol. 44 No. 12 October 5th, 1929

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In addition to the general principles, the book covers specifically the different methods necessary for selecting profitable investments in eleven leading industries, devoting an entire chapter to each industry.

WITH THE EDITORS

Profiting in the Rails

THE most successful investments are those based on foresight—when improving conditions or changing factors in an industry are recognized before they find reflection in higher stock prices. Take the case of the railroads. Despite a continuous betterment since the carriers emerged from government operation, the rails as a group have lagged behind the balance of the market except during a portion of last year.

This publication was keenly alive to the potentialities in the situation. It recognized the fundamental improvement in the position of the railroads, and, was confident that the rising efficiency of operation, improvement in physical property, aggressive quest of business and cooperation among the leading rails, would find reflection in higher values as soon as the restraint of governmental restrictions was relieved by legislation or court action. Accordingly, we have unhesitatingly recommended the purchase of the railroad stocks for many months past, and investors who followed these investment suggestions have profited handsomely, and have prospects of still further gains.

The O'Fallon decision, while leaving certain phases of the question of a basis of railroad valuation unsettled, still has considerably clarified the vexing problems of valuation, fair rate of return and recapture of excess earnings. With railroad prosperity rapidly gaining, in conjunction with the high industrial and trade activity of this year, it was natural that the decision should find the stage set for substantial rail advance which materialized.

Of course, some stocks have risen more rapidly than others and discrimination in selection naturally resulted in more favorable profits in some cases than in others. The 33 rails we recommended in the dividend forecasts of a year ago now show a new profit of more than 1,000 points and no losses.

In addition to periodical ratings of the leading rails, every issue of THE MAGAZINE OF WALL STREET contains a two-page analysis in its railroad department of that rail in the most promising position for investment and price appreciation. In this division also, our choice of rail investments has been equally well indicated.

Nor are the possibilities for further investment as yet exhausted. The upward advance of the rails is not completed. Very soon the Interstate Commerce Commission will again take up the question of consolidation. Congress is expected to enact legislation facilitating actual mergers. Further gains in sound railroad securities will no doubt ensue. Not only will these important questions, and their effects on the rail group, be fully discussed in coming issues, but individual opportunities among the prominent roads will be analyzed as they present themselves and suggestions made for investment.

Coming Features of Importance

THE WORLD STORY OF EMPLOYMENT AND LABOR

By JULIUS KLEIN

Assistant Secretary of Commerce

As the sixth in the series on great economic factors in the world's business of today we are pleased to present this informative and practical discussion by an authority who needs no introduction to readers of THE MAGAZINE OF WALL STREET. Dr. Klein's high public office gives him unusual opportunity for world-wide survey, which, coupled with his own keen insight and broad knowledge of business affairs, makes his story of inestimable value to every business man and investor.

In the October 19th Issue

LOOKING FORWARD IN AMERICAN BUSINESS

The concluding article in this series, "Looking Forward in American Business," is also by an eminent authority. His broad experience in business and in public life enables him to draw together the various world forces which have been discussed in this series and to paint a graphic picture of the business future. This article is an outstanding contribution to modern economic thought. It will appear in an early issue.

The Magazine of Wall Street

Investment and Business Trend

Into the Air; Back to the Water—Fourth Quarter Business—Bank Mergers—Chain Banking—The Market Prospect

INTO THE AIR; BACK TO THE WATER

AS Lindbergh returns from pioneering new air routes around the littoral of the Caribbean sea, President Hoover goes to Louisville to celebrate the completion of the canalization of the Ohio river. We fly more but we do not swim less. The swifter communication, the more freight. We leap the continent from dawn to darkness but revive the slow-moving river transport that went into eclipse fifty years ago. Air transport means little to the traffic managers of the heavy industries. The coming of the railways suppressed river traffic but only augmented the water-borne commerce of the Great Lakes. The tonnage of the Soo locks exceeds that of either Suez or Panama. The Great Lakes lent themselves easily to modernization; not so the rivers. But modernization has come to them, and none too soon. We are only at the beginning of a new industrial era in which commerce is fed by wants instead of necessities, by demand rather than supply. The growth of population is slowing up but the expansion of wants and the means of satisfying them has only begun. The growth of commerce, says a great financier, is limited now only by the capacity of finance. Back of all light and rapid transport is the slow movement of the heavy raw materials. Volume, not speed, is what they require. So, too, with heavy and bulky finished products. The faster we move the more we live in a lifetime, the greater our requirements. As the air fleets multiply, railway, highway and waterway will be taxed to the limit of their capacity. Within the next decade the great interior river ways will bear a burden of commerce that will far exceed in volume what they bore in the picturesque days when they were the main arteries of mid-continent traffic. The opening of the Ohio from Pittsburgh to the Gulf has not come too soon. The completion of the nine-and-six feet channels from New Orleans to Minneapolis-St. Paul, Kansas City and Chicago will not be one day ahead of the appointed time. The airplane is not more of a symbol of the passing of the old and the coming of the new than the steamboat was in 1811. As the first steamer puffed down the Ohio, frontiersmen gazed in stupefaction. Long after it had gone, their gaze was fixed toward the west and the future. "Something had passed them . . . . and yesterday was very far away." Airships have made our yesterday very far away, but the forgotten boats of the day before yesterday are part of tomorrow.

FOURTH QUARTER BUSINESS

WITH some indications of decline in steel operations and less than normal acceleration in general business during early September it is encouraging to note the optimistic view suggested by the shippers' advisory boards for various sections of the country.

The periodic surveys made by these boards to determine freight traffic volumes and the facilities available to meet future shipping requirements have served in the past as indicators of future business conditions. This year their estimates have been particularly well vindicated by subsequent events and it is thus the more significant that their latest reports suggest an increasingly active trend of business for the fourth

quarter. In a total of many industries, only a scant minority are expected to show decreases while industrial activity as a whole is anticipated to well exceed the last quarter of 1928. Particularly in the Southeast and Southwest present conditions and prospects are visualized as substantially better than a year ago. With the possible exception of the Northwest territory, great demands will be made upon railroad facilities and the carriers are in a stronger position to meet record traffic efficiently and profitably than at any time in recent history.

BANK MERGERS

IN the past year more than 1,000 bank consolidations have taken place. As a climax, comes the giant merger of National City Bank of New York with the Corn Exchange Bank Trust Company—producing the largest banking institution in point of resources in the world. Craig B. Hazlewood, President of the American Bankers Association, is authority for the statement that "10 banks today have combined resources of 10 billions. 1 per cent of our banks control approximately three-quarters of the nation's commercial deposits, leaving one-quarter for the remaining 99 per cent." What is behind this huge concentration? Is consolidation born simply of a desire for greater economy of operation? Hardly. Consolidation of banks and concentration of capital finds its origin more in the desire to eliminate competition and to secure greater reservoirs of funds for the financing of industry, for the underwriting activities for which the banks are increasingly engaged, and because of the larger profits which are derived from these channels. In common with the industrial life of the country, banks are entering a new age of development. They are opening new fields for their activities.

ADVANCE OF BRANCH BANKING

IT is impossible to draw a boundary line between bank expansion by consolidation, branch banks and bank chains. They are only different channels of the stream that flows irresistibly in the direction of the magnification of the great and efficient; and the eclipse of the little and inefficient in finance, as in all things else economic. Already six thousand of the 29,000 banking units of the country are essentially branches. With direct branch banking largely blocked by state and federal law, the current is diverted to the channel of holding corporations that own outright or control corporately separate banks. Daily the independent local banks crumble away before the advance of branch banking whatever its guise. The collapse of more than 5,000 local banks within the last eight years is a terrible indictment of the isolated small bank. On the other hand, the collapse of certain chains warns that weakness is not incompatible with greatness. The grouping of banks is as inevitable as the march of chain stores. Being inevitable, it is better that it should be direct instead of oblique, by actual branches instead of by controlled entities. Branch banking is a manifestation of economic destiny that can not be defeated by statute. But law can regulate, supervise and direct it. Nevertheless with the passing of the independent local banks we shall lose an element in American financial life, as we have hitherto known it, with which we can ill dispense. Centralization suffers from the defects of its virtues in banking as in everything else. With the impregnability of the judiciously managed branch bank system the initiative and creative energy of the independent banker disappears. Bankers are replaced by clerks and the sturdy financial leaders of states and localities are absorbed by vast machines, powerful and efficient in the mass, but lethargic or paralyzed at the extremities. Absorbing the savings and deposits of the communities, branch banks pour them into the great arteries of the financial circulation of the nation to the indisputable benefit of big business. But arterial hardening simultaneously takes place in the capillaries, and little communities and small businesses languish. As always eternal vigilance is the price of other things as well as of liberty. We can not stop the tide of financial centralization but can and must keep it from destroying the beach of welfare of the many.

THE MARKET PROSPECT

THE market's inability to break out of the recent trading area and resume the advance, after several faint-hearted attempts to do so, emboldened bearish interests to launch a determined attack upon the list. Beginning with the motor shares, weakness has spread to other sections so that as the month closed, the entire market was more or less involved in the decline. Several factors have contributed to this disturbing result. In the first place, the loss of leadership resulting from the extensive distribution of former leading stocks, and the incompleted transition to new leaders has made it difficult to attract a large public following. Secondly, the persistent expansion of brokers' loans is beginning to fray the speculative community's nerves. The latest gain of 192 million dollars has not tended to allay qualms over the credit situation, more especially in view of the fact that this rise appears more or less inexplicable in the light of the reactionary character of the market. Finally, the the technical position of the market was none too strong fundamentally, as indicated by its susceptibility to unfavorable news. There are strong redeeming features in the situation, however. Although some of the weaker stocks are likely to sink lower, numerous issues, notably the rails and oils, have exhibited resistance to the general pressure. The current reaction will have the effect of purging the market of internal weaknesses thus permitting a renewal of the advance in the high grade stocks to begin from a sounder base. Commitments in respect to the latter types, nevertheless, should be selected with extreme care until such time as more definite evidence is afforded that the liquidating movement is drying up.

Monday, September 30, 1929.

Is America Self-Sufficient?

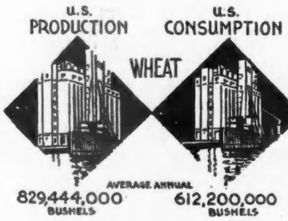
The Prospects of the United States If Economic Competition Is to Supplant Physical Combat in Determining National Rivalries

By Theodore M. Knappen

As a people we have developed a complacency regarding the resources of the United States. It is rather commonly held that we could exist as an isolated nation. But are we as self-contained as we imagine? The author of this interesting article points out the weak and strong points in our armor that call for the consideration of every business man and every thoughtful investor.—Editor.

THERE was a time when America was self-sufficient. The American Indians had established a self-contained economy that could have gone on forever. They had a stationary population of about half a million which could subsist on the resources of the continent without impairing them. They used almost no metal, their mineral requirements were negligible and their utilization of animal and vegetable materials was so small that natural replacement maintained the sources of those materials intact without conscious conservation.

Later, at the time of the Revolution, and for some decades thereafter white America was practically self-sufficient. The United States was then 90 per cent an agricultural nation and most of its people approached family self-containment. The small quantities of "boughten" goods required by these farmers were mainly of American manufacture. The townspeople imported some luxuries of food and dress, but if some cataclysm had cut the young republic off from all the rest of the world it could have got on very well, on the scale of living of the time, with an abundance of food, clothing and ample shelter.

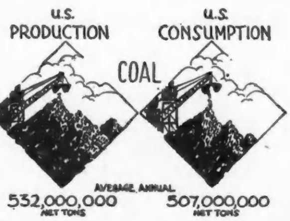


In 1929 we imported almost a billion dollars' worth of foodstuffs and near to $1,300,000,000 worth of crude and partly manufactured materials, and close to $500,000,000 worth of finished manufactured goods.

Broadly speaking, we could be very comfortable if the dream of the highest protectionists were realized and imports of manufactured goods prohibited. But such enormous imports of foodstuffs and materials for manufacture would seem to constitute a conclusive negative answer to the question, is America self-sufficient? And yet the total of imported foodstuffs was only about one-seventh of the value of domestic foodstuffs, and that of imported industrial materials not more than one-twenty-fifth of the total of such materials consumed by the manufacturing industries, whilst imported manufactures were but 3 per cent of domestic. But the degree of our dependency on the foreign world is measured by those fractions. They represent our present normal dependence on supplies from other countries. To what degree they might be dispensed with if we were to adopt a policy of national self-containment would be one thing in peace and something else in war.

And then we would have to define self-containment Would it mean bare existence for our 125,000,000 people, would it mean maintenance of our present standards of living and prosperity, or would it mean something else?

For a highly developed manufacturing nation, like the United States, self-containment in any sense of the term depends primarily on its supplies of natural resources. A self-contained nation in the absolute sense must, first of all, have the potentiality of supplying its people with food from its own soil. To maintain what we call civilization it must have sufficient supplies of the materials of industry, notably minerals, but essentially also many vegetable products.

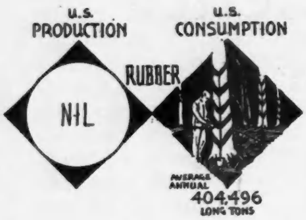


The progress of industrial empire since the dawn of civilization has been determined by control of mineral resources. Long before the children of Israel began their long wanderings in the peninsula of Sinai, its copper mines had destined the greatness of Egypt. Knowledge and control of the tin mines of distant Britain were bases of the Phoenician and Carthaginian empires. Rome did not reach its supremacy until it obtained control of the mineral wealth of Spain, and modern supremacy of the nations of northwestern Europe and the United States "is in the main owing to the mineral raw materials, notably coal and iron, produced within their confines and available to commerce."

Sir Thomas Holland, president of the British Association for the advancement of commerce, recently pointed out that nine-tenths of the coal, two-thirds of the copper and 98 per cent of the iron ore consumed by the world come from the countries that border the North Atlantic. And they are the countries that dominate the world both economically and politically.

The principal industrial metallic minerals, all of which are essential to national self-containment in the fullest sense of the term are aluminum, antimony, chromite, copper, iron, lead, manganese, mercury, nickel, tin, tungsten and zinc. The principal non-metallic minerals of industry are asbestos, barite, china clay, coal, fluorspar, graphite,

gypsum, magnesite, mica, nitrates, petroleum, phosphates, potash, pyrites, sulphur, talc and soapstone.

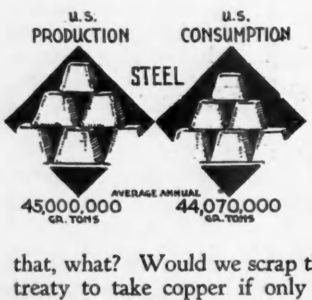


Let us consider the position of the United States as a source of each of these important minerals.

Aluminum is obtained from bauxite, of which there are ample known reserves, chiefly in Arkansas, Tennessee, Alabama and Georgia. We produce about half of the world's aluminum and could continue the present output indefinitely from domestic resources, although we do actually import more bauxite than we mine at home.

To the extent that antimony is an indispensable material of self-containment the United States is out of the running. We consume 42 per cent of the world's output and produce virtually no antimony ore, but extract some antimony from lead ores. "Antimony is indispensable to modern civilization," says H. K. Masters, secretary of the New York Metal Exchange, and "is absolutely controlled by China," although there are other sources. Antimony is an ingredient of type metal and has many other important uses, including the hardening of projectiles and as an alloy in lead sheathing for cables. The American Telegraph and Telephone Company alone uses about 200,000 pounds a month for its cables.

Chromium is indispensable to the steel industry and to all industries that require the sort of steel alloy that is produced from it, among such industries being fire-arms, airplanes, automobiles, razors, springs, files, cutlery. It is also an essential in the chemical, dyestuff, paint and tanning industries and it is used in many others. The entire supply of chromium ore (chromite) in the United States would last only five years if the domestic demand were concentrated on it; and ordinarily this supply is not commercially available. We can count the United States down and out, so far as chromite is indispensable to self-containment.

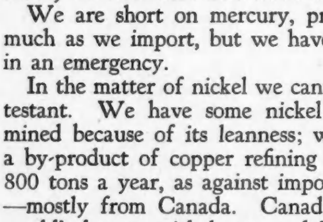


When we come to copper we are more fortunate. The United States produces half of the world's copper and the estimated known supply of copper ore within the country is 1,588,000,000 tons—enough to last fifty years at the present rate of consumption. After that, what? Would we scrap the Kellogg multilateral peace treaty to take copper if only by force could we get this essential metal?

Iron Reserves

If, after all, our copper position is not so happy as it might be, we are secure, now and forever, in iron. The available iron ore reserves of the world are estimated at 42,800,000,000 tons, of which the United States has the most among the nations, with 8,000,000,000 tons; Brazil being next with 7,500,000,000, and France third with 7,000,000,000. At the present rate of consumption our supply will last us 115 years, but *available* may take on a different meaning long before a century has passed and may reach the stupendous total of 70 billion tons in the lake region alone. On the other hand, it is estimated that the best of the high-grade iron ore will be exhausted in twenty to thirty years, and the next lower grade in another ten or fifteen years. Taken at their face values, these endurance estimates mean that within fifty years the Lake Superior iron mining regions, which now yield 60 to 70 per cent of the iron ore output of the country, will be depleted of the qualities of ore now mined.

The lead outlook is not so good again. "An estimate of the domestic reserves of lead ore is not available," says a publication of the Department of Commerce, "but it is suggested that the reserves, under price conditions prevailing during 1927, are not large as compared with probable future demand." Although we import about one-sixth as much lead as we produce at home we are now independent in respect to this metal, and probably the present generation will not see lead transferred from the asset to the liability column of the self-containment balance sheet.



Manganese is a weak spot. Our ore reserves, at any price of the metal, are limited and our present production negligible. Manganese is essential to the production of open-hearth steel, and we import around 700,000 tons of the ore annually, mainly from Russia and Brazil. An argument being made for a tariff on manganese ores is that at a sufficiently high price we could produce most if not all of our required manganese from our lean ores, chiefly in Montana and New Mexico.

We are short on mercury, producing less than half as much as we import, but we have sufficient to get by with in an emergency.

In the matter of nickel we cannot even register as a contestant. We have some nickel ore but it is not being mined because of its leanness; what nickel we produce is a by-product of copper refining and amounts to less than 800 tons a year, as against imports of around 13,000 tons—mostly from Canada. Canada has the big end of the world's known nickel ore, and New Caledonia, a French island in the Pacific, has most of the rest. The uses of nickel are legion, but once again we find in it an indispensable material for certain kinds of steel. Its alloys are numbered in the hundreds. If Canada were to embargo our nickle imports from her, our steel industry would stagger until a substitute were found. Would we annex the nickel mines of Sudbury to save steel and our national industrial position if worse came to worse? That is one of those tough questions that the promoters of international law have not duly considered. "Necessity," runs the old saying, "knows no law." But as practically every nation, even including the British Empire as a whole, is dependent on other nations for one or more essentials of industry and of alimentation the dire refusal may never be spoken that might evoke the last argument of kings.

Formerly we were the largest producers of tungsten in the world, but owing to the depletion of the mines we are slipping rapidly and already we are importing as much ore as we mine. Tool steel calls for 85 per cent of the tungsten.

The United States is comfortable in respect to zinc supples. Our children may worry, but not we.

Frequent reference to the various ferro-alloys reminds us that although we are supreme in the coal and iron factors of the essential steel industry, it is so dependent on so many indispensable, if small, factors that we are far from

being so magnificently independent in steel as might be casually inferred. The steel industry imports more than forty commodities from fifty-seven different countries. Among the commodities (of most of which we do not produce any, enough or just the right kind) are—aluminum, antimony, asbestos, asphalt, chromite, coal, copper, ferroalloys, fluorspar, graphite, iron ore, jute, lead, magnesite, manganese, nickel, nitrate of soda, crude mineral oil, linseed oil, palm oil, ferromanganese, ferrosilicon, pyrites, tin and tungsten ore.

The countries that contribute these commodities to the American steel industry practically make a map of the world.

Tin is another American liability. Prospectors yarn and dream about finding tin ores in Alaska and elsewhere, but up to date 27 tons of tin in a year is the record for American mines; and we consume over 70,000 tons, getting most of it from Malaya and some from the very tin mines of Wales where the Phoenicians got it three thousand years ago! Perhaps we could struggle along without tin in some tremendous emergency but if our definition of self-containment remotely approaches maintenance of present conditions, we are condemned to insufficiency on this single item.

The list of principal industrial minerals does not include some that have considerable, if limited, industrial importance, as, for instance, platinum, in which we are entirely deficient.

If our national vanity is a bit subdued by the examination of the metals with reference to national self-containment we may, perhaps, find solace in the non-metallic minerals. Let us see.

Starting with A we collide with another disillusionment in asbestos. Domestic deposits are small, production is smaller (only 1 per cent of imports) and yet we use more asbestos than all the rest of the world.

We import much barite, but we can be independent for a long time if need be. We import about as much china clay as we mine—and that from Great Britain—but we have plenty in a pinch.

When we reach the C's we find a spacious opportunity for the eagle to scream triumphantly in COAL. If coal is the industrial emperor he is enthroned in the United States forever. And he talks in trillions—for we have about half of the world's coal reserves, which are estimated at close to seven trillion, five hundred billion tons. Considered in connection with our vast supplies of iron ore we have here a towering contribution to national self-containment.

In the G's we find that we are well "heeled" in graphite and gypsum.

Magnesite is an important factor in steel making, and we have plenty, although we import much. We have an abundance of mica as a whole but are short in leaf mica.

Indicated Ability of the Principal Nations to Supply Their Needs of the Principal Industrial Minerals from Sources Either Politically or Commercially Controlled by Them.

METALS AND THEIR ORES	UNITED STATES				GERMANY				FRANCE				U. KINGDOM				JAPAN				BELGIUM				ITALY				SPAIN			
	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D	A	B	C	D
ALUMINUM		●						●	●				●							●				●	●							●
ANTIMONY				●				●			●				●					●				●			●			●		
CHROMITE				●				●	●				●						●					●				●				●
COPPER	●						●					●	●					●			●							●	●			
IRON		●					●		●				●						●				●			●			●			
LEAD		●					●			●			●							●				●		●			●			
MANGANESE			●					●				●	●						●					●				●	●			
MERCURY			●					●				●				●				●				●	●				●			
NICKEL				●				●	●				●							●				●				●				●
TIN				●				●				●	●							●				●				●				●
TUNGSTEN			●					●				●	●							●				●				●		●		
ZINC	●							●		●			●					●						●	●				●			
NON-METALS																																
ASBESTOS		●						●			●		●							●				●			●					●
BARITE			●		●						●			●						●			●		●					●		
CHINA CLAY			●				●				●		●					●						●				●			●	
COAL	●				●						●		●				●						●					●			●	
FLUORSPAR			●		●							●	●						●					●	●					●		
GRAPHITE			●				●		●				●				●							●	●					●		
GYPSUM		●			●						●		●					●						●		●				●		
MAGNESITE			●					●				●		●						●				●			●				●	
MICA			●				●					●	●				●							●				●				●
NITRATES				●	●							●	●							●				●				●				●
PETROLEUM	●							●				●	●						●					●				●				●
PHOSPHATES	●							●	●				●						●				●					●				●
POTASH				●	●				●							●				●				●		●					●	
PYRITES			●					●			●		●					●						●		●			●			
SULPHUR	●							●				●				●	●							●	●						●	
TALC AND SOAPSTONE			●				●		●							●			●					●	●					●		

A—Minerals available in large quantities for export.

B—Minerals adequate to meet domestic demands without appreciable excess or deficiency.

C—Minerals inadequate to meet domestic demands, partially dependent upon foreign sources.

D—Minerals for which the country depends almost entirely upon foreign sources.

Agricultural Minerals

Of natural nitrates we have almost none. By-products of coke-making and nitrogen fixation plants will take care of this deficiency, but it came near bringing the allies and the United States to their knees in the world war. Most of the nitrate required for explosives, as well as for fertilizers, then came from Chile. When Von Spee's German fleet sank Admiral Craddock's squadron off the nitrate coast of Cuba the allies were terror-stricken. When we got into the war Chile had the allies in a price hold-up which was broken by some clever maneuvers of Bernard M. Baruch, then chairman of the War Industries Board. He bluffed the Chileans with nothing in his hand until they began to be uneasy; then he had the good luck to discover that the Chilean gold reserve was in Berlin and Berlin would not release it. Baruch got her the gold Chile needed, but as an incident the Chilean government confiscated the German-owned nitrates in Chile and sold them to the allies at a reasonable price.

We have plenty of phosphate, another important fertilizer element, but we are so far as known, very short of potash, also important as a fertilizer, as we discovered to our sorrow during the war. At that time Germany had a virtual monopoly of the known potash deposits of the world, and even dreamed of starving the allies by withholding exports of the plant-food. France got a big slice of the German deposits when she took back Alsace, and between them the two former enemies have a firm hold on the potash situation. When you dine you may remind yourself that you might not eat so much or so well if we could not import potash.

Petroleum! Chronically the nation is warned that its petroleum reserves are near exhaustion. But the reserves are known to be larger than they were thought to be a few years ago, and better utilization will make them go further than formerly. Considering the possibili-

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Banks Meet New Problems in Rapidily Broadening Functions

Current Rapid Growth Marks Only First Stage of Real Development

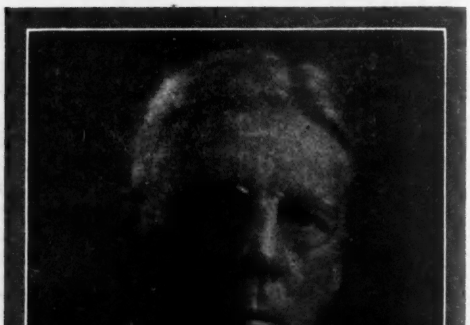
By J. W. Pole

Comptroller of the Currency

TWENTY years is an extremely short time in the history of a state or a nation. The remarkable increase in growth of the banking business within that time can be taken as an indication of the trend toward a future growth in even greater volume. Another twenty years should see the banking resources of the United States, which at the end of the fiscal year of 1928 totaled $71,574,328,000, reach a figure which now would appear fantastic even as an estimate. And this, too, despite the fact that the number of banks in the United States is decreasing, this decrease during the last three fiscal years approximating 1,000 per annum.

Vital Part in Economic Progress

It takes no gift of prophecy to make this prediction. We are still a very young country and the full force of our economic vitality has yet to be developed. Our population will greatly increase, our cities become larger and larger and our rural population denser than it is today. There will be further expansions and intensifications of industrial activity. Our world commerce, already at imposing figures today, must be regarded as almost in its infancy. The very economic necessity of the situation will bring agriculture up to a higher point of efficiency. And any statement as to the future of transportation and communication must seem extravagant, beginning as we are with transportation by air at great speed over vast distances and communication through the air by radio. All of these developments will be reflected in the expansion of banking resources, because our banks are the hand-maids of progress, supporting, sustaining and serving in an essential capacity every forward economic movement.



Harris & Ewing Photo

J. W. Pole

This growth, however, is not without its problems. The last two decades have witnessed a remarkable development in the volume and in the variety of the banking business. Demands for financial services unheard of by the last generation are now required to be met by American banking institutions. The old simple form of banking in which the banker relied almost entirely upon his personal knowledge of his customers is no longer adequate to meet the present-day situation.

New Standards of Management

Banking in the future will be in the hands of professional management, using this term as opposed to "amateur management." This applies to banks of all classes, whether city or small town, because banking in its essence is the same whether the population served be large or small. The very nature of our economic life which expresses itself through corporate organizations and in mass production will naturally demand of the smaller banks the same standards and type of banking services which have been demonstrated as sound and efficient by the larger city banks.

There was a time in this country when almost any person of average intelligence could aspire to become a banker without any special previous training. It may be said that it was the original theory of the law that any group of citizens had a right to form a banking corporation. The old-fashioned banker was primarily a custodian and a lender of money. If he possessed a natural shrewdness of mind and a strong character he was likely to succeed. In the local community he was the dominant financial figure. He had opportunities to make money outside of the banking business. He became financially interested in the local street car company, in the light and power company, in the gas works, in the ice plant and in other such enterprises in which local capital participated. These opportunities are also fast disappearing not only because modern banking requires all of the energy and attention of the banker but also because these local forms of public utilities are fast giving way before the economy and efficiency of great central organizations operating through local branches. Some banks of this old type still remain in existence, but they must be regarded now as survivals of a financial era which has passed.

Modern banking is a highly complicated and technical

business and it is exemplified primarily by the city banks which have been compelled to meet the varied financial demands of commerce and industry. It is in these commercial centers that the competition in all lines of business is so keen as to compel the utmost economy in operation and the most efficient management control. As a result of the experiences of these city banks there has developed in the United States a fairly definite opinion in financial circles as to what constitutes sound banking. This standard of bank management has not been theoretically arrived at, but it has slowly developed to meet a given situation.

It must be said in general that old-fashioned business practices in banking must give way to scientific methods in the acquisition and the formulation of information, and in the application of the banking policies based thereon, by men who have acquired what might be called a professional knowledge of banking—the technical equipment to deal with method and policy.

Technical Requirements

Higher training is increasingly demanded for making commercial loans upon the proper credit basis, but it is in the newer fields of banking—the trust business and the securities business—where technical training and specialized experience are emphatically the essential requirements for success. It is in these two fields that there is likely to be the greatest future expansion in banking and those banks will maintain the largest growth which equip themselves technically to meet this opportunity. It would be worse than useless for a bank to embark upon them with an amateur management.

No industry is having greater demands made upon it than banking despite the tremendous expansion which has already taken place in this field. The country is forming new banking habits and making greater use of banking facilities. Important changes are under way and more are in prospect. Every bank stock investor, actual or potential should find it profitable to become acquainted with them.

The scarcity of trained executives—that is to say, executives with that degree of managerial ability required by modern conditions—may be one of the underlying reasons for the rapid spread of branch banking and group or chain banking ideas among bankers and business men in this country. As the business of banking is growing at a more rapid pace than executives are being developed to operate each unit bank as a separate institution, it would seem to be an almost natural and logical outcome that this scarcity of talent will lead to a more centralized form of banking control. The large number of bank failures outside of the metropolitan centers during the past few years is an indication that there are more banks than bankers. At the same time, many banks—especially the unit banks—have to face the rising cost of management with a relative decrease in income. Many of them are now unable to offer to young men entering the banking business either salaries, or the prospects of a career, of sufficient attractiveness to obtain the highest type of management personnel.

Changes in Credit Conditions

The principal features of modern banking deserve a brief review. First of all, let us take the loans and discounts. The old-fashioned character loans have almost disappeared. This does not mean that character is not a valuable asset in the transaction. It simply means we are no longer in the pioneer stage of our civilization. Great emphasis now is laid upon adequate credit information and analysis. Nothing is left to chance, guess work or favoritism. This credit information is often obtained as a result of the most skillful scientific investigation, involving the study of plants, machinery, cost accounting, estimates of future operations, financial history, personal management reports, personnel, and the like. The bank must be in a position not only to acquire but to comprehend and digest the most technical information and data concerning its customers. In this country where every variety of business operation is carried on by corporations, the bank must be generally familiar with corporate organization and management in every field. Commercial banking requires, therefore, a fundamental knowledge of every process of commerce.

Largely a post-war development, one of the most important modern activities of our banks today involves the buying and selling of investment securities. It is natural that the banks should participate in this investment field, because many of their customers turn to them for advice. The amendment in the McFadden Bank Act of 1927 has added impetus to the movement to make the banks in this country distributors of the best type of investment securities. This means that the modern bank must be equipped with the proper instrumentalities to deal with this new business. It imposes a grave responsibility upon the banks which in turn requires them to create the facilities for a comprehensive and accurate knowledge of the various issues of securities which from time to time come upon the market.

Estates and Trusts

Within our own time we have seen the banks gradually displace to a large extent the old type of individual and personal trustee, executor, administrator, guardian and custodian. It has become a function of banking to administer estates, many of which are of great magnitude. There has also been a most remarkable growth in the creation of corporate trusts. For every issue of securities for corporate financing, a bank is required to perform some ministerial or fiduciary function.

The impressive growth of trust service in the banking field is illustrated by considering the expansion in recent years of the fiduciary activities of banks in the national banking system. Since early in 1915, when the first permit under the Federal Reserve Act was issued to a national bank, hundreds of banks have availed themselves of this opportunity to render additional service to their communities, until today 2,400 national banks have trust powers, representing one-third of the number and three-fourths of the capital of all banks in the national banking system. Last year these banks were administering 63,776 trusts, with individual trust assets aggregating more than $3,000,000,000 and were acting as trustees for bond and note issues totaling close to $8,000,000,000.

As I see it, the future of the trust business of banks in the United States would seem to make it one of the most important phases of banking business. On the other hand, its proper administration makes it absolutely necessary that the bank equip itself with the most advanced facilities for discharging these fiduciary responsibilities and obligations.

Giving Up National Charters

Now we come to another phase of our banking. Within

(*Please turn to page* 1046)

To be or not to be a security dealer?

This question has faced the banks for a decade.

Then new trends in finance dictated the necessity for handling investments.

Investment Subsidiaries Enhance Bank Prestige and Income

Security Companies of Large Banks Cast for Important Future Role

By Ward Gates

WHEN a business man needs capital, his first thought is to go to the banks—an inherent impulse that has made the banker a power in the security business.

In the past, fine discriminations were made between loans that were required for temporary purposes and capital for long term use. If he wanted permanent capital he was told that he must increase the permanent capital of his company and go across the street to arrange for the sale of new securities with an investment underwriting firm. Today, whether he wants temporary accommodation or permanent capital, he can get both at the bank.

Largest Single Factor

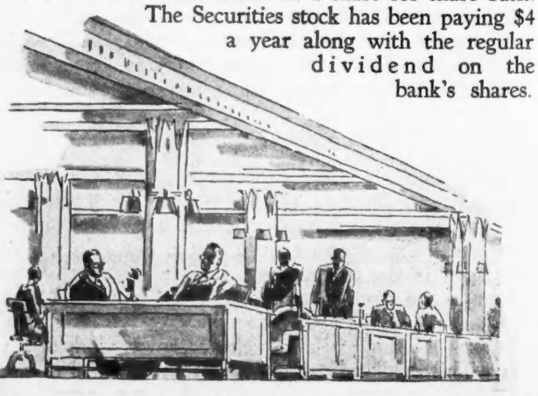
This age old thought-habit of the corporate borrower, is perhaps more largely responsible for the tremendous expansion of the commercial banks' security business than any other single factor. For in spite of the fact that borrowing practices have changed radically during the past decade, so have the financing practices of the banks. And the force of habit that brings the borrower first to the portals of his banker, has been a strong influence in their favor—enabling the banks to entrench themselves in the security underwriting and distributing business on a basis that puts them on an equal footing with the "private" security underwriting firms.

The first commercial banking institution to foresee the possibilities for profitable service dealing in securities was the conservative old First National Bank, which organized the First Security Company, 'way back in 1908, as a security underwriting and distributing concern. Visualizing also the moral and financial liabilities that are inherent in the security business, the sire of bank security companies was completely segregated from the bank by vesting ownership of the capital, share for share, in the individual owners of First National stock. This precedent was followed by a majority of the bank securities companies of a latter day. Today, First National stockholders are receiving an annual dividend of $20 a share from the bank and $80 a share from the First Security Company stock.

A Growing List

The next of the large banks to corporately enter the security business was the National City Bank, which organized the National City Company in 1911—now represented by offices in practically all of the important cities in the United States. The stock of the National City Company, unlike First Security, is owned by the bank. Of late it has been paying $3,000,000 a year in dividends to the bank which in turn has been passing along these earnings to its own shareholders in the form of an "extra" quarterly dividend of $1 in addition to the regular $4 quarterly dividend out of bank earnings.

Six years later, the Chase National Bank formed the Chase Securities Corporation by paying an extra cash dividend of $25 a share to its shareholder, using this fund to capitalize the Securities Corporation and turning it over to the bank's stockholders on a share for share basis. The Securities stock has been paying $4 a year along with the regular dividend on the bank's shares.



In addition to these disbursements, the security "subsidiary" had increased its capital, surplus and profits from the original 25 million to over 42 million dollars, as of December 31st, 1928. In the meantime, the Guaranty Trust Company had created and was rapidly expanding its bond department. In the latter part of 1919, the Guaranty Company of New York was formed to take over the activities of the bank's bond department, permitting the bank wider latitude in underwriting and syndicating activities.

Thus, four of the financial district's influential banking institutions led the way at a comparatively early date for the entrance of the commercial banker into the security distributing business. One by one, in one form or another, with hopes and some misgivings, the rest of the large metropolitan banks throughout the country joined the movement. Most of the larger banks vested the ownership of the security company with their shareholders; several of the largest of these subsidiaries are owned and operated directly by the bank; a few institutions still handle their security dealings through a bond department or an investment department; lately the popular form of "investment trust" organization has been employed by one or two of the larger banks in their security activities and others are said to be planning to follow suit. Among the thousands of smaller banks throughout the country, the investment demands of the banks' customers are still served personally by officers of the institutions through affiliations with the larger banks or investment firms. But whatever form is assumed to fit the individual case, it is a fact that today the banks are in the investment business hand and foot.

The Underwriting Stage

At the start, the banks entered the security business with the purpose of broadening their opportunities for profitable service to the respective communities served. They had their own customers consulting them about investments the same way that they became confidants in other financial matters of their depositors and creditors. When their investment activities expanded to the underwriting stage, the banker found himself confronted with equally favorable opportunities to acquire corporate securities through his own investment subsidiary. Instead of sending these potential buyers and sellers of securities across the street to deal with the private investment firms as middlemen, the banks more and more took over the functions of the investment middlemen themselves.

The further that the banks became engaged in the security business, the more advantages unfolded themselves. Corporate borrowers could be accommodated over a trying period with a bank loan. When the borrower's business had reached a position that warranted permanent financing, the bank's subsidiary was then in a position to place the new securities either by syndicating or with their own investors or both. The bank, being more familiar with the circumstances of the borrowing corporation, was in a better position to negotiate such financing than an "outside" dealer. The financing, in turn, provided funds for repayment of the previously contracted bank loan. But this is only one of numerous intangible advantages.

Fortunate Development

With the enormous demand for securities that has developed during the past seven or eight years, the banks would have found themselves in an unfortunate position, had they elected to keep steadfastly out of the security business. For one thing, the huge demand for corporate securities has enabled the larger American corporations to reduce their bank borrowings to a bare minimum. Many of the leading corporations not only have adequate funds to finance their own business but possess large corporate surpluses, which particularly in "Street loans," compete with the resources of the banks for employment. Fortunately, the strong position which the banker has gained in the security field, enables him to profit from this situation.

Thus, the modern tendency toward security financing on the part of American industry to replace the bank loan of a decade ago, still finds the banker in a position to serve industry by marketing its securities. This ability of our large banking institutions to successfully cope with an unprecedented change in the practice of corporate finance has been largely responsible for the growth in both resources, earnings and prestige of these same banks. It is no wonder today, either that the banks are so security minded, nor that they are preparing to institutionalize the experiment that has proved to be so successful both for the financial community at large and for bank stockholders in particular.

Stock Distributors

The influence of security companies in some of the recent bank mergers has been seen at work along several different lines. Some of these subsidiaries have been active in distributing bank shares, acting in the role of broker and in this respect supporting the market for the bank's stock. Most of the recent bank acquisitions were arranged through an exchange of shares between the several units involved. The higher that the shares of the negotiating bank sells in the open market, the more attractive the deal becomes to the shareholders

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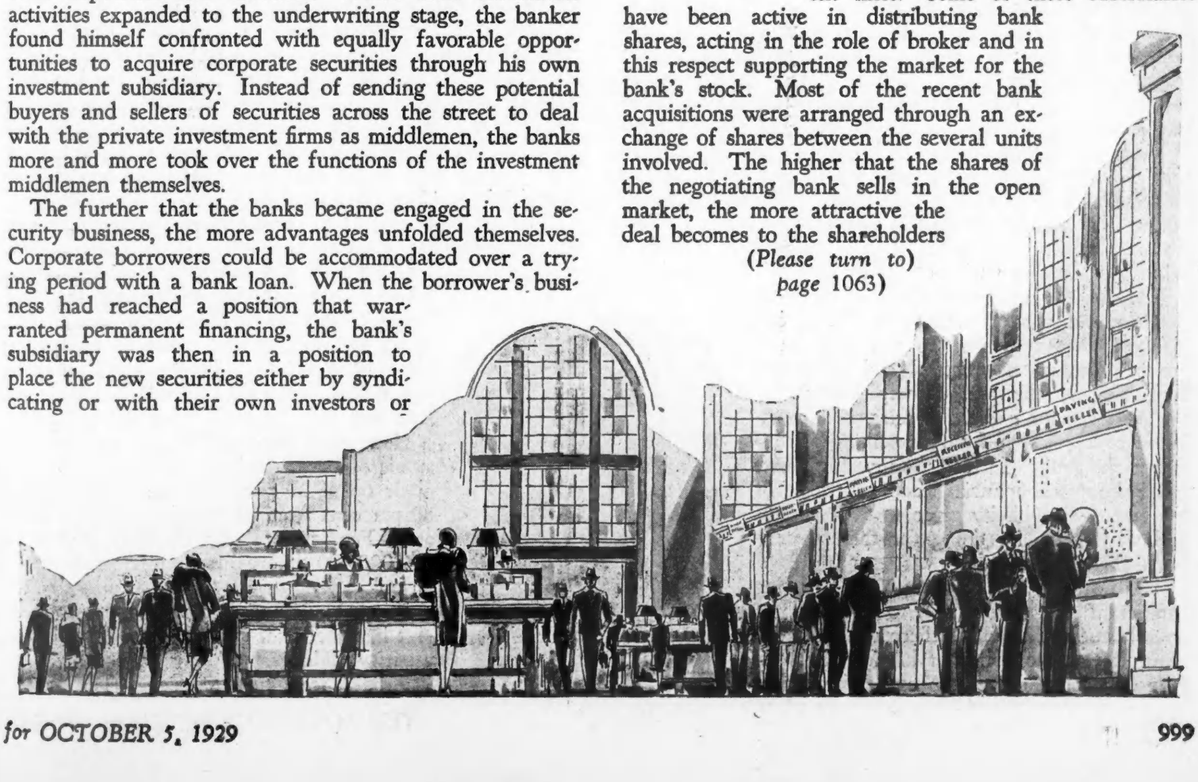

What Is the Measure of Bank Stock Prices?

Old Yardsticks Are Useless—Changing Conditions Demand New Standards

By WALTER C. SHELTON

THE question of accurately judging bank stocks by some formula or set rule, in order to determine whether their market price is reasonable, involves an entanglement of values that is almost as perplexing as the international armament controversy. A number of years back there was such a thing as a yardstick that could be applied with some precision to bank stocks as an indicator of their true market worth, but it is useless today. New conditions, huge growth and undreamed of prices demand new standards.

Financial institutions of the present differ vastly from the conservative establishment of a quarter century ago. Bank stocks have become more or less separated into a number of classifications, their varying policies largely governing their selling values. There are the huge New York financial institutions with billion dollar resources built up by mergers and operating a country-wide security distributing system of branch offices. There are the smaller city banks and trust companies with potential merger possibilities. And then, the so-called "out of town" banks.

Stocks of the largest New York City institutions are selling at prices that, even discounting their future growth based on the normal expectation of earning power expansion, will in the near future scarcely seem justified except for one thing—the longer range vision of great developments to come. Take the tremendous potentiality that lies in the pending development by one, two and possibly three of them, of a colossal chain of branch banks. The profits that would likely accrue to the stockholders from such a movement are beginning to be vaguely realized, but nevertheless quite solidly reflected in market appreciation. Thus we have high prices predicated on a measure of intangible value yet teeming with potentially attractive possibilities.

The usually recognized ratios of price to earnings and to book value form no criterion of worth when applied to this large-bank group. Rather, *a practical and consistent envisaging of the past accomplishments of the management and its policies, and translation of them into future possibilities, constitute the gauge.* In fact, the investor knows more about the financial leaders, because of the extensive publicity given to their success and what they are doing for their institutions, than he does of the earnings figures.

The head of one of New York's leading banks said recently, in reply to a rumor of a consolidation, that while there was no truth in it, it was the policy of his institution to take one constructive step each year before the end of that year. Such significant wind pointers induce investors to pay prices that appear excessive by old standards.

Furthermore, published figures are often far from showing the real earning power. They do not disclose the profits of the security company affiliate which in many cases are 'way above those of the bank itself. Banks used to be pretty much alike, but they have in recent years expanded their activities to embrace trust departments and numerous other features of a profitable nature. It has therefore become largely a matter of individual analysis covering the bank's various functions, its affiliations, management, policies and whether it has a security subsidiary or distributing department.

The average ratios of market price to earnings and to book value do come into popular usage when sizing up the small-bank group, but here again there are so many varying situations that it is not easy to group enough banks of similar character to formulate dependable averages. Taking a class of banks that have no affiliates, prices average more than 35 times their earnings and from one and a half to six and a quarter times their book value.

Looking at the relationship of surplus and undivided profits to capital there are also a number of factors to be considered. Banks that could show a surplus equal to their capital were tagged as prime favorites 20 years ago but today it is held to be an ordinary achievement when surplus reaches an amount double the capital, for there are many whose total profits run up several times and even to **a multiple of 12 in one case.**

The ratio of surplus to capital is frequently examined for the possibility of an increase in the latter and a sizeable stock dividend. That such a course is not always taken, however, is exemplified in the First National Bank of the City of New York, whose capital of $10,000,000 has remained unchanged since 1901 although its surplus is close to 100 million. Its stockholders, however, are receiving 100 per cent dividends annually.

Here, once more we have an excellent example of hidden values, for that dividend is made up of 20 per cent from the bank and 80 per cent from its security company affiliate. Furthermore, the affiliate's capital of $10,000,000 at organization 20 years ago is an unknown quantity today—it might be ten times that amount, and its earnings are secret likewise, as is the case with other banks' security affiliates.

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Investment Position of Leading Bank Stocks

	Capital	Total Surplus	Deposits	Book Value per Share	Est. Annual Earnings per Share	Dividend Rate	Recent Price Bid	Recent Price Asked	Bid Price Times Earnings	Yield %	COMMENT
	000 omitted										
Bank of Amer. N. A. ($25)....	$35,775	$40,058	$249,245	$69	$6.80	$4.50	$240	$245	35	1.8	Is expanding rapidly. New blood introduced through Blair merger. Has attractive long pull possibilities.
Bank of the Manhattan Co....	22,250	43,211	519,405	316	26.70	16	1,180	1,200	44	1.3	Par value to be reduced to $20, and capital increased to $26,000,000. Attractive at current levels.
Bank of N. Y. & Trust Co....	6,000	13,829	80,194	330	35.39	x20	1,050	1,080	39	1.9	Appears underpriced at present market. Par value will probably be reduced.
Bank of United States ($25)..	25,250	15,274	229,257	80	10.00	6	173	175	17	3.5	Affiliated securities corporation has proven substantial earnings. Logical bank for merger with larger bank looking for branches.
Bankers Trust ($10)	25,000	79,638	540,966	42	4.86	3	234	238	48	1.3	Trust and fiduciary business expanding rapidly. Good long range investment.
Brooklyn Trust	8,000	22,747	110,179	384	38.20	x30	1,390	1,430	36	2.2	Largest bank in Brooklyn, and may eventually merge with large New York bank.
Central Hanover Bk. & Tr. ($20)	21,000	79,153	463,587	95	12.50	6	489	496	39	1.2	Large profits will be revealed as a result of real estate sales this year. Attractive at current levels.
Chase National Bank ($20)....	a105,000	137,069	1,064,639	65	5.80	4	260	265	45	1.5	Expanding rapidly through mergers. Has prominent directorate and offers long range attraction.
Chatham Phenix Nat. Bk. & Tr. ($20)	13,500	16,213	236,600	230	5.32	4	172	178	32	2.3	Management aggressive. Recently organized affiliated investment corporation.
Chelsea Exchange Bank ($25)..	2,000	1,645	20,437	46	2.74	2.50	104	108	38	2.4	One of the smaller banks, but not especially attractive from earnings standpoint.
Chemical Bk. & Trust ($10)..	15,000	21,000	256,000	30	3.10	1.44	131	134	42	1.1	Through acquisition of U. S. Mortgage & Trust added greatly to earning capacity. Management aggressive.
Commercial Nat. Bk. & Tr....	7,000	7,886	76,589	233	26.40	—	880	900	32	—	Organized this year and showing good progress.
Continental Bank ($10)........	b 6,000	11,074	10,515	33	2.10	1.20	57½	58½	27	2.1	Stock has recently been split. May merge with Fidelity Trust. Conservatively priced on earnings basis.
County Trust	4,000	4,541	22,657	214	22.70	—	465	480	20	—	Stock closely held, and not active marketwise, but has good long range outlook.
Empire Trust ($20)	6,000	9,195	80,387	51	5.18	3.20	123	127	24	2.6	While stock is conservatively priced on earnings basis, not very active.
Equitable Trust	c 46,500	44,499	634,876	196	†22.70	12	718	725	32	1.7	Recently merged with Seaboard National Bank. Stock appears to lag behind the market.
Fidelity Trust ($20)	d 4,000	3,933	51,519	42	3.30	2	74	77	22	2.7	Stock inactive, but may merge with Continental Bank.
Fifth Avenue Bank	500	3,737	26,227	847	174.58	x59	3,900	4,050	22	1.5	Excellent bank, large earner, but very little free stock.
First National Bank..........	10,000	97,773	340,917	2,078	201.80	100	8,200	8,400	41	1.2	Excellent bank, but stock too high priced for much public interest.
Guaranty Trust	90,000	196,418	1,041,909	313	32.50	20	1,170	1,180	36	1.7	Now second largest bank. Split up of shares probable. Excellent investment at current levels.

(Please turn to page 1002)

Investment Position of Leading Bank Stocks

(Continued from page 1001)

	Capital (000 omitted)	Total Surplus (000 omitted)	Deposits (000 omitted)	Book Value per Share	Est. Annual Earnings per Share	Dividend Rate	Recent Price Bid	Recent Price Asked	Bid Price Times Earnings	Yield %	COMMENT
Harriman Nat. Bk. & Tr.	1,500	2,845	40,355	393	39.00	x35	1,875	2,000	48	1.9	High priced stock with little public following.
Irving Trust ($10)	50,000	81,397	534,778	26	2.50	1.60	90	92	36	1.8	Constructive program under way, which lends stock attractive long term outlook.
Manufacturers Trust ($25)	27,500	56,676	376,671	77	10.00	6	286	288	29	2.1	Earnings indeterminate account of merger. Goldman-Sacks Trading Corp. heavily interested.
National City Bank ($20)	e 110,000	125,260	1,507,811	63	N.A.	4	470	475	—	0.9	Largest bank in the world. Recently merged with Farmers Loan and Corn Exchange. Attractive for long term.
New York Trust ($25)	12,500	33,094	206,033	91	13.10	5	447	454	34	1.1	Reasonably priced on earnings basis. Merger possibilities add speculative touch to stock otherwise attractive.
Public Nat. Bk. & Tr. ($25)	8,250	15,421	128,308	90	8.80	4	274	280	31	1.4	Excellent well managed small bank. Appears to have lagged behind market and is attractive at current levels.
Title Guarantee & Tr. ($20)	10,000	24,063	44,205	68	11.61	x7.20	172	179	15	4.2	Has valuable title plant contributing heavily to earnings. Comparatively liberal yield and good possibilities.
U. S. Trust	2,000	23,901	57,784	1,295	132.43	x70	4,300	4,600	32	1.6	Closely held and little public interest because of high market price.
Security First Nat. (Los Angeles) ($25)	30,000	25,311	545,547	47	N.A.	4.48	135	137	—	3.3	One of largest banks in the country with substantial expansion possibilities.
Continental Ill. Bk. & Tr. (Chicago)	75,000	66,594	842,267	216	N.A.	16	975	980	—	1.6	Rapid growth places stock in most attractive class.
First National (Chicago)	25,000	26,354	366,833	205	N.A.	18	945 (ex-rights)	950	—	1.9	Has strong merger possibilities. Associated with First Union Trust & Savings.
First National (Boston) ($20)	25,000	25,997	328,996	41	N.A.	3.20	198	203	—	1.6	Coming merger with Old Colony Trust and large foreign connections make stock very attractive.
Old Colony Trust (Boston)	15,000	18,667	177,054	224	N.A.	12	755	775	—	1.6	Merger with First National will increase scope and benefit stockholders.
Fidelity Philadelphia Trust (Philadelphia)	6,700	26,036	84,261	489	N.A.	24	920	935	—	2.6	Strong and conservative management gives stock long pull appeal.
Girard Tr. (Philadelphia) ($10)	4,000	16,687	57,262	52	N.A.	4	190	204	—	2.0	One of oldest in the country. Pursues generous dividend policy.
Pa. Co. for Ins. on Lives & G. A. Tr. & S. D. (Philadelphia) ($10)	6,500	31,119	132,493	53	N.A.	3	141	146	—	2.1	Oldest trust company. Is aggressively expanding. Stock attractive to hold.
Nat. Bk. (Philadelphia) ($20)	14,000	38,927	232,361	76	N.A.	5	178	182	—	2.8	Traces back to 1803. Is expanding and stock holds appeal for long pull.
Bank of Pittsburgh N. A. ($50)	3,000	5,053	52,251	134	N.A.	x9	175	180	—	3.4	Expanding slowly, but is generous with extra cash dividends.
Peoples Sav. & Tr. (Pittsburgh) ($20)	4,000	10,500	40,747	72	N.A.	3.20	195	200	—	1.6	Steady expansion augurs well for future.
Bk. of Montreal (Quebec, Can.)	35,532	35,532	696,943	200	N.A.	12	353 (ex-rights)	357	—	3.4	Largest bank in the Dominion. Lack of small bank competition assures maximum returns to stockholders.

x Includes extras.
a Capital increased from $80,000,000 to merge National Park Bank.
b Capital increased from $2,000,000 by 50% stock dividend and sale of stock at $45 a share.
† On old capital.
c Capital increased from $30,000,000 to acquire Seaboard National.
d Capital to be increased to $6,000,000.
N.A. Non available.
e Capital increased from $100,000,000 to acquire Farmers Loan & Trust; to be increased to $119,680,000 to merge Corn Exchange Bank Trust.

Insurance Stocks Afford Attractive Investment Media

Many Current Values Out of Line with Rising Earnings of Strong Companies

BY ALLSTON B. SPRAGUE

SELECTION of an insurance stock for investment purposes is beset with considerably less difficulty than the choice of a bank stock. Earnings per share, with chief interest centered on the profits from investment assets, additions to surplus, liquidating value contrasted with market price, a brief survey of the company's history to disclose the management's ability and policy as to stock dividends and whether the company is a strong "independent" or member of a "fleet" comprise the important items that determine the relative value.

Inasmuch as virtually all insurance companies, worthy of investment consideration, possess these characteristics in common, a standard measure of worth may be applied in each case. Generally speaking, fire insurance companies offer much the largest proportion of attraction, although casualty and surety concerns share in the popular interest to a limited degree.

With conditions so closely matched, it becomes a matter of comparison as to which company shows the largest increase in the various items. In other words, a roster of companies may be prepared on a strictly ranking basis. Then it devolves into choosing which one is most likely to distribute a stock dividend or offer rights at the most attractive bonus figure, as indicated by past records and the current rapidity of growth.

Insurance stocks, as such, are an anomaly insofar as their intrinsic element of earning power is concerned. Their profits in the main are derived from their liquid assets as employed in the security markets. The actual insurance business itself has been prone to show underwriting losses as commonly as profits, although the marked reduction in fire losses in the past two years has resulted in more companies pulling out underwriting profits and swelling former profit records to still larger amounts.

So far as the investor is concerned, therefore, the insurance company is essentially a form of investment trust, imbued with many of the noteworthy features of these enterprises. Furthermore, and in this respect they are kin to bank stocks, there is but one capital obligation. In many cases large reserves are set up, either as required by law to protect against loss claims, or as voluntary balances against possible declines in security quotations.

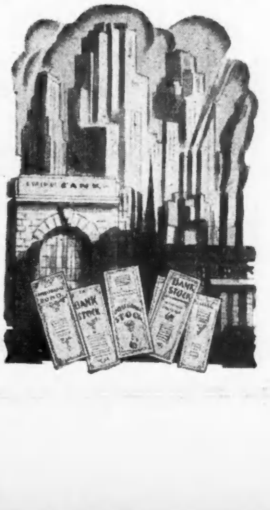
It is the continued rise in stock market levels for the high grade securities to which the insurance investment portfolio is limited, that has accounted in large measure in the past few years for the substantial additions to surplus that have appeared in the successive annual reports of well managed insurance companies. These investment gains have been not only sufficient in recent years to offset any underwriting losses, either technical or actual, but to meet dividend payments and increase special reserves, as well as the aforementioned additions to surplus.

So also to them may be traced the high liquidating values shown by insurance stocks, although here enters another important element, the amount of unearned premiums. In general the stockholders may count on obtaining a minimum net return of 40 per cent of the unearned premiums in case the business is concluded.

The prevailing prices for slightly more than 100 stocks average about one and one-third times their liquidating value, with only a few exceptions, where the market price is exceeded by the liquidating value. A few years ago the usual market level was around twice the liquidating value, thus illustrating how much out of line are current prices.

On the surface, the somewhat restricted interest in the insurance stocks market that has spread over the past year or so is an enigma. Particularly has this been apparent in the face of record earnings reported for 1928 and again, for the first half of this year. While other groups of securities, notably the public utility, industrial, railroad, copper and bank stocks are selling 25 to 40 per cent higher, insurance stocks are only slightly above their prices of a year ago. In fact, in many cases they are below.

Apparently those investors who usually favor the "bank and insurance stock market," have been putting their surplus funds in bank stocks because of the furore created by a series of gigantic mergers. It is expected, however, that if annual reports provide the necessary impetus, attractive insurance stocks will again command wider attention.



It may be stated as a general conclusion that the rate of growth of an insurance company is in direct proportion to the growth of assets from operations (disregarding paid-in capital), which increases the equity behind each share of stock. The better managed companies have been found to double their assets every five years, thus doubling the stock equity in the same period. Naturally the inference obtains that the price should likewise double.

Records apparently prove that insurance stocks give most abundant returns on a long term basis. Present price levels seem to justify investment from that standpoint.

Investment Position of Leading Insurance Stocks

	Capital	Net Surplus and Sp. Reserves 12 Months Ended Dec. 31 1927	Dec. 31 1928	June 30 1929	Unearned Premium Reserve June 30 1929	Liquidating Value per Share	†Est. Earnings per Share	Dividend Rate	Recent Price Bid	Asked	Yield %	COMMENT
	000 omitted											
Aetna Casualty & S...........	$3,000	$11,524	$13,664	$15,635	$11,436	$774	$152.03	$12	2100	2175	0.5	Affiliated with Aetna Life, one of leading companies in insurance business. Large surplus in relation to capital; may reduce par value to $10. Large hidden assets in auto and other insurance stocks make present market price about normal; yield low, but rate of appreciation good.
Aetna Insurance (Fire)	7,500	17,188	21,442	26,206	25,677	586	115.85	20	780	790	2.6	Large holdings of bank and common stocks. Trend of earnings upward, two subsidiaries growing at good rate. Expected to reduce par value to $10.
American Insurance ($5)	a5,000	6,711	10,087	11,059	14,729	22	3.48	1	24½	25½	4.0	Leader of small group; active in making new affiliations this year; has increased capital six times in past 12 years. Bond depreciation decreased earnings one-fourth. Slow mover marketwise.
American Surety ($25)	b7,500	5,100	6,028	b10,348	6,954	70	b11.60	6	129	132	4.6	Trend of underwriting profits upward in spite of steady increase in business written. Dividend rate advanced steadily. Recent affiliation with N. Y. Casualty provides large additional business. Good long term investment.
Boston Insurance	3,000	9,320	12,241	14,823	6,442	680	206.47	16	1025	1055	1.6	Remarkable earnings. Dividend record unbroken since 1875, current trend upward. Large surplus in relation to capital. Inactive marketwise but has scarcity value; moves in spurts.
Camden Fire Ins. ($5)	2,000	3,549	4,312	4,903	5,536	23	3.88	.80	33	35	2.4	One of few large old line companies not in group. Management very conservative. May organize running mate. Business fairly profitable. Numerous merger rumors periodically attached to stock but inactive.
City of N. Y. Ins.............	1,000	1,985	2,743	3,180	2,756	528	114.84	16	775	790	2.0	Member of Home group. Steady increase in earnings is not fully discounted by market price of stock which is tightly held. Par is expected to be reduced to $10 within a year.
Continental Cas. ($10).........	c3,500	4,234	4,673	4,233	7,791	31	2.15	1.60	51	53	3.1	Large bond holdings reduced earnings. Underwriting results erratic; unprofitable over 10-year period although improved recently.
Continental Ins. ($10)........	d19,575	33,738	43,110	49,747	27,531	41	*9.74	2	100	101	2.0	One of three largest in business. Increased assets from operations 89% in last 5½ years. Investments in leading firms in every industry include large public utility and railroad holdings. Shares equally with Fidelity-Phenix hidden equities in four subsidiaries.
Fidelity & Deposit ($50).......	e6,000	6,293	6,908	7,183	7,749	136	*11.66	9	230	240	3.9	Underwriting and investment profits excellent over five years at advancing rate, reflecting very able management, although large bond holdings are unfavorable to 1929 earnings.
Fidelity-Phenix Fire ($10)....	f13,925	26,159	35,028	41,344	23,318	46	*14.40	2	113½	114½	1.7	Very progressive management, identical with Continental Insurance, which see. Good market assured for both by N. Y. Stock Exchange listing.
Fire Ass'n of Phila. ($10).....	5,500	7,159	11,751	NA	x10,689	39	x2.85	2.50	46½	47½	5.4	Underwriting results profitable in 1928 first time in years, although investment gains shrunk by reason of large bond holdings. Dividend record good. Active market on Philadelphia Stock Exchange.
Fireman's Fund Ins. ($25).....	g7,500	7,510	9,413	12,292	15,910	87	*14.10	5	110	115	4.5	Largest in West. Very fine all-round record. Substantial hidden equity in subsidiaries, including Home Fire & Marine. Attractive long pull investment.
Glens Falls Ins. ($10).........	h5,000	6,322	6,995	8,102	8,122	42	*2.26	1.60	63	66	2.5	Leader of small group, including Commerce Insurance and two-year old casualty running mate. Growth steady but moderate.
Globe & Rutgers Fire Ins......	7,000	37,015	47,253	NA	24,333	914	218.26	24	1625	1650	1.5	Remarkable record due to common stock investment policy, justified by market appreciation in recent years. Profits from this source offset very large underwriting losses. Large holdings of public utilities likely to maintain record this year. Assets increased 91% in last 5½ years. Has stock dividend policy. Still reasonably priced.
Great American Ins. ($10).....	i16,000	21,060	27,729	27,121	21,042	32	*3.90	1.60	49	51	3.3	Leader of group. Showing fair rate of growth. Underwriting showed slight profit; investment gain excellent over 5-year period. Recent capital increase to form holding company for subsidiaries.
Hanover Fire Ins. ($10).......	j4,000	6,026	10,021	15,541	5,166	54	*15.42	1	88	90	1.1	Independent, showing remarkable growth; assets swelled last 5½ years 172%, of which 137% from operations. Underwriting and investment earnings trend steadily upward. Market has not wholly discounted earnings.
Hartford Fire Ins.............	10,000	26,618	33,046	37,275	41,193	638	106.58	22	1050	1070	2.1	One of largest old line companies with substantial hidden equities in subsidiaries, including Hartford Accident & Indemnity. Excellent earnings. Expected to reduce par value this year.
Hartford Steam Boiler Ins....	3,000	7,466	8,239	NA	x8,619	490	*73.65	16	780	790	2.1	Shows large investment profits but record is erratic. The same applies to underwriting results. Market dormant.
Home Insurance	18,000	28,910	33,920	38,169	40,136	401	60.94	20	735	745	2.7	First fire insurance company to show assets of 100 million (last year). Underwriting profits large factor in earnings, large bond holdings having reduced investment gain. Large developments expected by end of this year somewhat discounted by market price, but has long pull attraction.

Insurance Co. of N. A. ($10)..	10,000	23,279	35,228	35,499	29,402	57	5.25	2.50	87	88	2.9	One of largest firms in the business. Underwriting results, although good last year, very erratic. Large bond holdings may affect 1929 earnings. Inactive.
Lloyds Casualty Co. ($10).....	2,000	761	875	2,524	536	15	*18.46	.60	34	37½	1.8	Recently changed from writing plate glass exclusively to multiple lines. Steady but slow growth of past may be quickened by new banking interests recently connected with management.
Maryland Casualty Co. ($25)..	5,000	7,823	8,762	6,472	14,405	86	*10.74	5	125	130	4.0	Past underwriting results very unprofitable although improved greatly in past three years. Investment earnings affected by large bond holdings. Underwriting agreement with Home Insurance has uncertain termination.
Mass. Bond. & Ins. ($25).....	4,000	4,740	6,547	NA	x3,962	76	*50.71	4	210	220	1.9	Excellent rate of growth reflected in steadily increasing underwriting and investment profits last seven years. Stock inactive heretofore, because of $100 par and small floating supply. Otherwise very attractive.
National Fire Ins. ($10).......	k5,000	15,526	18,098	19,129	21,759	66	*10.60	2	93	95	2.1	Leader of small group in which it has substantial unrevealed equities. Excellent underwriting results last two years maintain fair record. Investment record uneven. Recent reduction par value makes stock inactive.
National Liberty Ins. ($5).....	10,000	14,689	20,582	23,323	x9,917	19	6.98	1.50	29½	30	5.1	Very attractive from standpoint of earnings and yield, but upward trend marketwise affected by large holding of Manufacturers Trust, which marks time. Further capital expansion unlikely for some time.
National Surety Co. ($50).....	15,000	12,184	12,707	11,321	12,627	105	*6.35	5	111⅛	112⅛	4.5	One of largest in casualty field. Recently exchanged holdings in N. Y. Indemnity for Insurance Securities stock. Market action somewhat disappointing.
National Union Fire Ins.......	m5,000	2,782	2,796	NA	x11,294	246	*12.36	12	300	310	4.0	Premiums written more than double capital and surplus aggregate; considered abnormally high. Record shows large underwriting losses and only fair investment gain. Very strong financial backing by Mellon family indicates big future; likely to be fairly profitable on long term basis.
New Brunswick Fire ($10)....	1,000	1,508	1,589	1,669	1,191	31	4.46	1.20	46	48	2.6	Member Home fleet. Premium writings more than doubled since that affiliation two years ago. Underwriting profits very good; investment gains good. Capital increased at regular intervals. Attractive for long pull.
North River Ins. ($10)........	n4,000	7,523	11,848	11,880	9,370	48	13.79	2	90	95	2.2	Exceptional management. Earnings more than trebled in 5 years. Underwriting results improving steadily. Dividends advancing. These features discounted in active market but attractive for long pull.
Phoenix Insurance	6,000	19,006	22,344	25,289	12,615	605	123.88	20	1060	1080	1.9	Surplus four times capital. Underwriting and investment profits over 5-year period. Hidden assets in own holding company owning six other companies. Capital increase due. Reasonably priced for long pull.
Preferred Accident Co.........	3,500	3,064	3,637	3,554	2,946	235	*28.35	12	600	615	2.0	Underwriting very profitable. Investment gains good but affected rather sharply by bond depression last year. Has merger possibilities. Market price fully discounting foregoing but good long pull purchase.
Providence-Washington Ins. ..	3,000	8,878	12,580	15,583	5,343	691	219.64	20	1060	1080	1.9	Exceptional earnings due to 75% investment assets in bank and common stocks. Capital increase imminent. Market not fully discounting remarkable value appreciation.
Rossia Ins. Co. of Am. ($10)..	3,000	4,607	6,162	NA	x7,275	402	29.46	2.20	73	74	3.0	Head of reinsurance group with international tie-ups. Earnings from underwriting showed sharp increase last year, but business has risks above the average. Investment gains exceptional. Possibilities of market appreciation good, but subject to speculative swings on N. Y. Stock Exchange.
St. Paul F. & Marine ($25)....	4,000	11,037	12,885	14,690	12,443	148	20.23	5	247	252	2.0	Steady growth for many years. Conservative yet profitable investment policy. Remarkable earnings from underwriting. Reasonably priced for long pull.
Springfield F. & Mar. ($25)....	o5,000	11,001	13,767	16,007	16,177	137	23.64	4	220	230	1.8	Economic management reflected in large underwriting gains. Steady increase in profits and business written. Has hidden equities. Rights given frequently. Attractive at present market levels.
U. S. Casualty Co. ($25)......	1,500	1,321	2,583	2,165	4,605	92	x7.44	3.50	90	97	3.9	Small underwriting profit in 1928 first in six years. Earnings affected by bond depression last year. Reasonably priced from standpoint of yield.
U. S. Fidelity & G'ty ($10)...	10,000	11,247	16,948	17,845	18,403	35	x4.88	2	62	66	3.2	Largest in casualty field. Underwriting results erratic but improved remarkably in last two years. Investment gains steadily increasing although large bond holdings a drawback in 1928.
U. S. Fire Ins. ($10)..........	p5,000	12,318	16,046	17,257	14,652	56	15.46	2.40	108	112	2.2	Exceptional management (same as North River) follows policy of stock dividends. Surplus more than three times capital. Very active on Baltimore Exchange. Attractive now; has excellent long pull possibilities.
Westchester Fire Ins. ($10)...	2,000	4,102	5,933	6,965	8,522	62	12.52	2.50	84	87	3.0	Same management as U. S. Fire and North River for past two years. Earnings taking very favorable turn. Exceptional market appreciation possibilities for long term holding.

a Merged Bankers Indemnity March, 1929, and Dixie Fire, Aug., 1929.
b Capital raised from $5,000,000 on merger with N. Y. Casualty in July, 1929, total surplus and earnings figured accordingly.
c Capital raised from $3,000,000 in May, 1929, by stock dividend.
d Capital raised from $15,000,000 in June, 1929, on joining American Fore group.
e Capital raised from $5,000,000 in Aug., 1929, by stock dividend.
f Capital raised from $10,000,000 in June, 1929, on joining American Fore group.
g Capital raised from $5,000,000 in April, 1929, at $50 a share.
h Capital raised from $4,000,000 in June, 1929, by stock dividend of 15% and sale to agents and employes at $50 a share.
i Capital raised from $15,000,000 in May, 1929, at $30 a share.
j Capital raised from $3,000,000 in Aug., 1929, by 10% stock dividend and sale to stockholders, agents and employes at $60 a share.
k Capital raised from $3,000,000 in July, 1929, at $200 a share of $100 par, later split 10 for 1.
m Capital raised from $4,000,000 in May, 1929, at $200 a share.
n Capital raised from $2,000,000 in Sept., 1929, by stock dividend and par reduced from $25.
o Capital raised from $4,500,000 in Feb., 1929, at $35 a share.
p Capital raised from $4,000,000 in July, 1929, by stock dividend.
NA Not available. x As of Dec. 31, 1928. * On old capital.
† Calculated for year ended June 30, 1929.
Par values are $100 except where designated in ( ).

Western Roads Have Big Stake in Rate Decision

What the Question Shortly to Be Answered by Commerce Commission Really Means to Investors

By PIERCE H. FULTON

The importance of the decision in the Western Rate Case to the railroads and their stockholders is indicated by the I. C. C.'s own estimate of 24 million dollars annually as the amount of increased revenue that would accrue to the various roads in the western territory.

THE making of rate schedules is one of the most complicated problems with which railway executives and employees have to deal. It is a task only for experts. Even within the ranks — officials as well as employees — in which special knowledge and consideration of this matter are required, those schedules largely constitute the proverbial Chinese puzzle. To the average outsider they are worse than that, if such a thing be possible.

Still, everyone who is interested in railroad securities must know something about rates, and how they are made —at least enough to determine the importance of substantial changes and the bearing of such changes on earnings and, in turn, upon market values for railroad securities.

This observation has been particularly true in the last few years, and is practically certain to continue so because of the tendency of the Interstate Commerce Commission to revise freight rates downward.

A word of plain speaking at this point: Congress is a political body. Its constituents are the "people back home," many of them shippers of freight on the railroads, in larger or smaller quantities. The I. C. C. is delegated by that particular body— Congress — to supervise and regulate the railroads of the United States, engaged in interstate business. But its members also have constituents, direct or indirect, and likewise constitute a body, in some degree at least, political. There seems to have been a tendency in recent years, at any rate railway executives, their counsel and bankers think so, on the part of the I. C. C., to favor shippers rather than the railroads, in order to satisfy their constituents.

But all this aside as conjectural.

FREDERICK E. WILLIAMSON

President of the Chicago, Burlington & Quincy Railroad Co.

said in an exclusive statement to

THE MAGAZINE OF WALL STREET

"The report of the examiners in the Western Trunk Line class rates investigation, if promulgated as an order by the Interstate Commerce Commission, would mean attractive advances in the local rates in the States of Wisconsin, Minnesota and Missouri, if the commissions of those states are to permit the basis to become effective on intra-state movements."

A highly important rate case is pending, one of the most important, for some years, to the railroads directly involved. Popularly it is known as "The Western Rate Case." Officially, with the I. C. C. and the railroads, it is set down as "Docket No. 17,000 Part 2, Western Trunk Line Class Rates."

As for many years, widespread dissatisfaction had prevailed with respect to the class rate structure within Western Trunk Line Territory and as various applications for higher rates had been filed, some of which had been disallowed by the I. C. C., and as no agreement between the I. C. C. and the railroads in a broad way had been reached, the former, some time ago, designated William J. Koebel and Peter C. Paulson, two of its examiners, to make a careful study of class rates in Western Trunk Line Territory. They went into the matter with great care. Their report embraces 206 pages of printed matter, is comprehensive and even exhaustive, and likewise as complicated as rate schedules themselves, which, to the average laymen, mean little or nothing.

Broadly speaking, there is one feature of the report that everyone can understand. It is that the examiners arrived at the conclusion that class rates in the territory in question should be revised upward. That is the all-important question with every one interested in railroad securities in that geographical area. The report is not altogether pleasing reading to the shippers, who must pay the higher rates, if made effective by the I. C. C. But there are compensating features in the report even for the shippers, as, among other things, many reductions in rates are proposed.

This publication, sensing the significance of the ultimate decision to holders of railroad securities, has succeeded in

getting an interpretation, from rate experts, of the salient features of the report of the examiners. What the I. C. C. will do with that document is the big question. Its decision will not be forthcoming for some little time, in all probability, as the hearing is set for October 21st to 25th inclusive. The I. C. C. generally takes its time with such big questions, and is compelled to do so, if for no other reason, because of the seemingly insurmountable volume of work with which it is constantly confronted.

Will Congress Adopt It?

No one can make a definite and worthwhile prediction at this time as to the probable action of the I. C. C. on the report of its examiners, but Western railway executives are inclined to believe that they will adopt it, with some modifications. This belief is based chiefly upon the idea that the roads are entitled to higher class rates, notwithstanding the era of prosperity now prevailing in this country, both for business in general and the railroads.

It is rather strikingly significant that this particular rate case is being taken up actively and will come to a decision, during the administration of Herbert Hoover as President. It was while he was Secretary of Commerce, and largely upon his recommendation and urging, that grain rates in the Northwest were reduced. They never have been restored.

Comparison of Rate of Return by Railroad Districts

The following table, prepared by the Bureau of Railway Economics, shows the rate of return on investment for the railroads of the United States, by regions and districts, from 1923 to 1928, both inclusive.

Region and District	1928 %	1927 %	1926 %	1925 %	1924 %	1923 %
New England Region	5.22	4.39	5.05	4.82	3.74	2.32
Great Lakes Region	4.88	4.47	5.50	5.12	4.84	5.30
Central Eastern Region	5.00	4.60	5.23	4.95	4.16	4.85
Pocahontas Region	7.57	8.02	9.22	7.73	6.04	5.73
Total Eastern District	5.21	4.84	5.68	5.24	4.53	4.85
Southern District	4.14	4.33	5.47	5.93	5.20	5.02
Northwestern Region	4.05	3.40	3.82	3.60	3.12	3.45
Central Western Region	4.53	4.26	4.84	4.41	4.22	4.50
Southwestern Region	4.47	3.92	4.58	4.37	4.34	3.65
Total Western District	4.36	3.90	4.44	4.13	3.86	3.96
United States	4.71	4.38	5.13	4.85	4.33	4.48

The reduction was ordered several years after the World War and the ending of Government control of the railroads, in an effort to help the people of the Northwest, who were suffering from a period of pronounced business depression.

In the meantime the Northwest has got on its feet, and even become prosperous, but the railroads of that section have not been granted rates commensurate with other sections, nor have they been able to show as good earnings or as high a rate of return on investment as most other sections. Their investment per mile of road is not above the average for other railroads as a whole. In some cases it is materially lower. That these conditions still obtain is made clear in an appended statement for a period of years from 1923 to 1928 inclusive.

The importance of the whole case to the railroads and their security holders in dollars is shown by the simple statement that the I. C. C. estimates that the increased revenue to all the railroads involved would be approximately $24,000,000 a year. This would mean an approximate return of 5 per cent on $480,000,000 of capital.

To a single well-known railroad in western trunk line territory, in whose common dividend there is special interest just now because of the expectation of the declaration of a higher rate before the close of this year, the increases that are expected to result from the putting into effect of the recommendations of the I. C. C. examiners might reach $2,000,000 annually. This would be equivalent to about 1-1/3 per cent on $150,000,000 common stock.

These are big figures. In some cases it might mean increased dividends on common stock. In others they would expand substantially the surplus over prevailing rates of dividend and thus strengthen the position of the company and its stockholders proportionately.

The need of increased freight rates in what is known as the Northwestern Region, which embraces Northern Pacific, Great Northern, St. Paul and other prominent roads, is clearly shown by the monthly statements of consolidated earnings made public by the Bureau of Railway Economics for several years. That for July and the first seven months of this year is the latest available.

The returns for these periods, both as to earnings and the rate on investment, are more favorable for the railroads of the Northwest than at any time during a period of six years ending with 1928. The appended table makes it perfectly clear that during that six-year period the railroads of that section needed assistance from some source to make possible a rate of return on investment more nearly commensurate with the 5¾ per cent, which they are entitled to earn under the Transportation Act. They believe that they still need it, and that the assistance should come through advances in rates.

Low Rate of Earnings

At no time during that period did the railroads of either the Northwestern Region or the Western District as a whole earn as much as 5 per cent on their investment. As a matter of fact, not until 1928 did the carriers of the Northwestern Region go above 4 per cent. Even during that year the rate of return was only 4.05 per cent. For the Western District as a whole they were below 4 per cent for 1923, 1924 and 1927 and did not exceed 4.44 per cent for any year. That rate was returned in 1926, which was the peak year for the rail-

(*Please turn to page* 1042)

¶ Despite new peaks in crude oil production, stocks of leading companies give definite indications of accumulation.

¶ Is this a time to buy oils?

Strong Factors in Long Range Oil Prospect

By A. T. Miller

INVESTORS are seeking an explanation of the recent buying of oil stocks in a market that has been not only highly irregular in trend but also has been under the pressure of heavy liquidation throughout many sections of the list. Stock movements of this nature frequently throw out important clues relative to forthcoming developments in an industry.

It happens that investors and traders have long waited some signal from the oil stocks, which in years past were quite a favorite group in the stock market. Is this the signal for which they have so patiently waited, or is this just another premature move to raise false hopes among those who have grown weary waiting for a real "oil stock market"?

The stock market has fallen into some strange misconceptions about the oil industry and, until these are cleared away, it would be almost impossible to answer the above question to anyone's entire satisfaction. The first and most important of these popular fancies is that the petroleum industry is in a state of semi-paralysis because of excessive crude oil production. Another popular fallacy closely related to this one is that the industry must wait until crude prices recover substantially before the oil companies can blossom forth with large earnings and renewed prosperity.

The third, and perhaps the least important of the financial district's popular ideas about petroleum, is that the oil stocks cannot be expected to sell at higher prices until production of crude is thoroughly regulated by cooperation among the major companies, with the government a consenting third party, or at least not an antagonistic party.

Particularly this latter notion has caused oil stock buyers to pay such close attention to crude oil production statistics that they have failed to note the virtual industrial renaissance of increased efficiency and general process improvement through which the petroleum business has been passing during the past few years. In the meantime, the price movements of this group on the stock exchange have been limited to market "flurries" that resulted from time to time when there seemed to be some prospect of lower crude oil production on the horizon.

One of the important clues that the market gave during the latest episode of the oil stocks, however, is the signal to look elsewhere than crude oil production figures for the real explanation behind the movement. For this time, crude oil production never looked worse on the charts; stocks in storage were never so unwieldy, and the price structure was menaced in several districts and for several grades of petroleum products. Undoubtedly the stock market is now more forward looking than ever before in its attitude toward oil shares. The more that the bogie of "overproduction" is discounted, the more logical the purchase of the better petroleum shares becomes for long range investment purposes.

A concise answer to the question, "What does this latest move in the oil stocks mean?" therefore, is that the *leading oil stocks can be bought now with a definite prospect of long range price improvement irrespective of crude production statistics and crude oil price apprehensions.* There is much ground for believing that while the general

Investment Suggestions Among Leading Oils

Company	9/23/29 Recent Price	Dividend	Yield
Royal Dutch	58½	3.20	5.47
Standard Oil of California	73⅞	2.50	3.38
Standard Oil of Indiana	55	2.50	4.55
Standard Oil of New Jersey	74¾	1.00	1.33
Standard Oil of New York	43¾	1.60	3.65
Texas Corporation	66⅞	3.00	4.48
Vacuum Oil	122½	4.00	3.25

public is still following the false clue of crude oil prices and output, banking interests and investment trusts are accumulating large blocks of stock of some of the leading oil companies which they have reason to think will pay them handsomely for the long pull.

The reasons why these interests expect their oil stock commitments to turn out well ultimately are not secret or inside information. Everyone can share these facts. To properly understand them, however, it is really necessary for one to discard, once and for all, the old notion that the prosperity of the leading oil companies depends upon crude oil prices.

The oil companies in which stockholders are interested do not make their profits selling crude oil. They sell gasoline, kerosene, fuel oil, lubricants and a long list of miscellaneous by-products. In 1928 (and the percentage has not changed much since then) almost 70 per cent of the entire income of the petroleum industry was obtained through the sale of one product—gasoline—and almost 20 per cent was obtained from the sale of fuel oil and lubricants. Notwithstanding the low crude oil prices, these three items which produce close to 90 per cent of income of the industry, realized retail sale prices in 1928 and 1929 that by and large were quite satisfactory to oil company profits.

Furthermore, the leading oil companies are now generally engaged in all phases of the industry, being producers of crude, refiners and sellers of petroleum products. In many individual instances, the low crude prices were an advantage, instead of the disaster that is associated in the public mind with low crude oil prices. The technical improvements in the art of processing crude oil at the refineries has improved to such an extent within the past decade that the *average* amount of gasoline that is produced from a barrel of oil is almost double over that of the old processes. One of the factors that completely revolutionized refinery operations is the well known "cracking" process. What is not so well known, however, is the fact that the oil industry obtained about 377 million barrels of gasoline from its refineries in 1928 from 913 million barrels of crude oil, whereas, under the old straight run process of refining crude it would have been necessary to handle about 1,650 barrels of crude oil for the same amount of gasoline. This saving in operating costs has been translated into profits for oil companies in spite of the low prices for crude oil which have prevailed since 1927.

This year, the oil industry will produce over a billion barrels of crude oil, a new record, of course, and requiring additional storage to the already heavy stocks of petroleum that is stored above ground. The year 1929 started with an oversupply of gasoline as well as crude oil. Instead of attempting to reduce supplies of gasoline, the output of the refineries was set for an increase of 60 million barrels of gasoline over the large output in 1928. For a while, it looked as though gasoline prices would be forced down by this generous output from the refineries, and in fact, in some sections of the country, particularly the West Coast, the gasoline markets were badly demoralized. Any such general consequence was averted, however, by the unusually large increase in gasoline consumption. American motorists, truck and bus owners and aviators found that they would need about 16 per cent more motor fuel in 1929 than they used in the previous year, thereby taking up the bulk of the large refinery output and saving the gasoline market. Lubricants and fuel oil sales likewise have been well sustained, and in spite of overproduction and low crude oil prices, the oil companies generally will be able to obtain a reasonably good return from their operations.

The extent of petroleum company earnings, during this current year of "depression" in the industry is indicated in a recent compilation which shows that the net profits of twenty-six oil companies were 80 per cent higher during the first six months of 1929 than they were during the first half of the previous year. These figures did not include earnings of the Standard Oil units, nor Gulf Oil, nor Texas Corporation, the six months' income statements of these lead-

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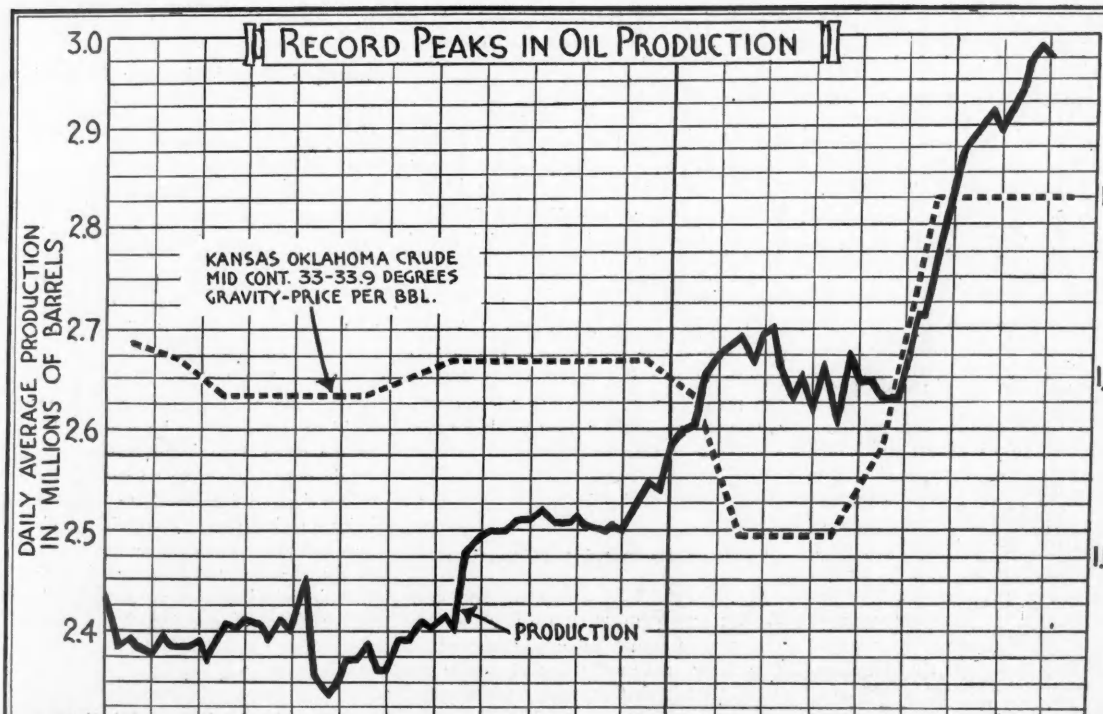
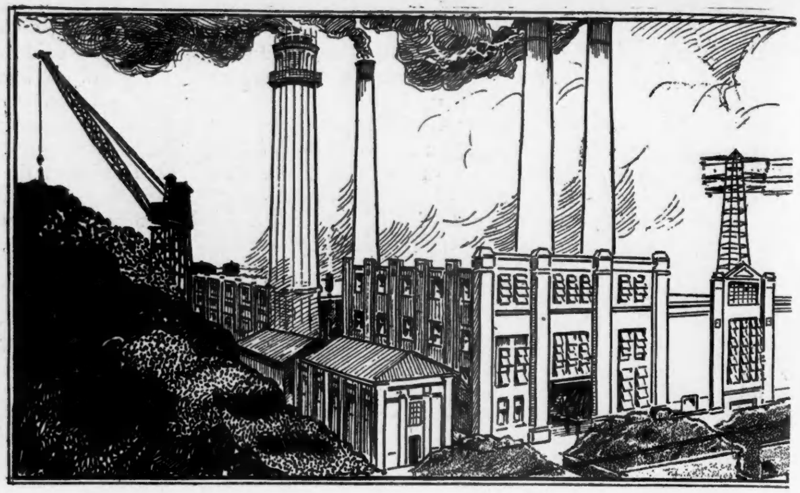




Things To

A HUGE coal company visualizes a new potentiality for power in the vast culm banks and piles of non-commercial sizes of anthracite that represent the great waste of the industry. The proposal of the Philadelphia and Reading Coal and Iron Co. envisages a great electric power station, a super-generating plant, on the Susquehanna River in which the energy locked in what is now waste resources would be released to industry and cities through the network of the large public utility systems in this area. The project represents an untapped source of revenue for the company, and is a striking example of the profitable utilization of waste products in an age that demands the highest efficiency as the cornerstone of prosperity.

* * *

Chain Stores and Chain Banks

AN important factor in hastening the day of country-wide chain banking is the tendency of the huge chain organizations to finance through one central bank. As the independent merchant is supplanted by the chain store, the small out-of-town banks are deprived of an increasing volume of business. Some undoubtedly will be taken over as units of larger banking systems, but the remainder are facing a problem of vital consequences.

* * *

A Complex Problem Complicated

LOREE'S reentry into the railroad merger situation with an ambitious plan for another great system of the East is inclined more to the fantastic than the practical. The central road in the plan, Delaware and Hudson, does not own a single share in any of the carriers which it proposes to acquire; on the contrary, it includes various small roads already controlled by larger systems in addition to such independent carriers as New Haven. The consumation of the project is difficult to conceive. Certainly it does little to relieve the complexities of the vexing problem of railroad consolidation.

Trucks vs. Railroads

THREE million miles of highways and a quarter million miles of railway! It is small wonder that motor trucks, with longer and longer hauls, daily encroach upon the less than carload freight business of the railroads. The Pennsylvania, New York Central and an increasing number of other roads are meeting this competition with the freight container—which might be described as a fractional unit of a freight car. This portable compartment furnished to the shipper can be loaded, locked and shipped on a flat car as a less carlot unit. Transfer of the load at junction points is vastly facilitated and shippers are given the faster service of the rails over long hauls. Since the railroads have been recently prevented in many areas from making door delivery via their own trucks, the motor transportation service can be very well coordinated with that of the roads in transporting the unit container from shipper or consignee to the freight terminals, but the carriers are finding the means of maintaining their dominance in the field of long haul-less carload freight transportation.

* * *

More Industrial Migration

ANOTHER instance of the continuing migration of American industry is found in the acquisition of a factory site in Buenos Aires by the B. F. Goodrich Company. A tire and rubber plant, to employ 12,000 people, is anticipated. Argentinians will soon ride on their native rubber, made into tires in their own country.

Gold or Paper?

WILL the International Bank make gold shipments unnecessary, placing the world on a paper basis? Drafts on a central bank in possession of sufficient gold reserves would eliminate loss of interest and shipping charges involved in present expensive wasteful physical transportation of the metal.

* * *

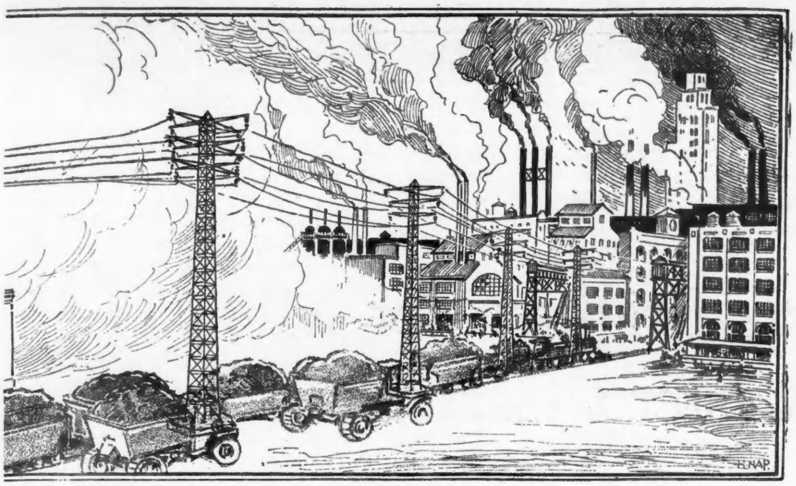
Another Revolutionary Invention

THE cracking process revolutionized petroleum refining. It made possible present day prices of gasoline. But the new hydrogenation process gives promise of even more far-reaching effects. Orginally developed by the German I. G. F., American rights have been acquired by the vigilant Standard Oil of New Jersey. By hydrogenation it is theoretically possible to convert crude oil entirely to gasoline. While it is not commercially practicable to go quite this far, the yield of gasoline can be increased vastly, or what is equally important, the crude petroleum may be turned to any other desired intermediate such as lubricants, kerosene, etc. Through its application to coke oil or the abundant low-grade shale oil, any danger of petroleum shortage is postponed for generations, if not indefinitely.

* * *

Stock Exchange Vigilance

THE watchful supervision which the New York Stock Exchange exer-



Think About

cises over its member firms and companies whose shares are listed has recently been exemplified by the exclusion of non-voting stock. In addition, it has moved to protect security buyers' periodic inquiry into the solvency of each member firm. Twice yearly each brokerage firm or its auditors must fill out a questionnaire showing the financial position of the firm. As a certain number of these questionnaires are sent out monthly, no firm knows just when it will be called upon to disclose its precise financial standing.

* * *

Our Biggest Customer

ANALYSIS of foreign trade figures for the fiscal year ended June 30th reveals the significant fact that Canada has supplanted the United Kingdom as the largest customer of the United States. Moreover, we bought 505 million dollars' worth of Canadian goods last year, placing our northern neighbor in the place of first importance for both import and export trade. Under these circumstances, the efforts of Congress to aid agriculture by means of a tariff certain to be detrimental to Canada, seems not only inconsistent but foolhardy.

* * *

Life Insurance Gains

A FAIR index of prosperity is found in the 50 billion dollar increase in life insurance that has been recorded during the past six and a half years. It has been estimated that the 100 billion now in force will more than double in another ten years.

* * *

Science Defeats Rust

THE new 68-story Chrysler Building will utilize in its construction a type of material that is new to the building industry—rustless iron. The ability of this alloy of iron, chromium and nickel is said to withstand the ravages of time and weather. This resistive property, coupled with its attractive permanently metallic appearance destines it for increasing usage both for ornamental and structural purposes. Its contribution to the building industry and its wider use should prove a boom to producers of chromium and nickel.

* * *

New Retail Practice

HAND to mouth buying which has transformed so many industrial and commercial projects in the past few years is beginning to find favor in the retail field. Fewer shopkeepers are carrying extensive stocks on their shelves but are buying in smaller quantities for rapid turnover. This has been made possible through increased speed in shipping and by more efficient sales service, rendered by manufacturer and wholesale distributors. As the retail merchant is able to operate in this particular with less actual, or at least with more advantageously employed capital, fewer insolvencies in the retail field should follow.

AN increasing number of industries are eliminating the seasonal ups and downs which formerly characterized their business. In some measure this results from a change in buying habits, from a more equal distribution of purchasing power throughout a 12 month period. But, in a larger measure it is due to the diversification of products and lines manufactured which are being developed by forward-looking corporations. We see auto companies turning to radio manufacture, building material companies of different kinds combine, and food companies expand their lines of merchandise—all of which tend to produce income from more or less unrelated sources, giving not only stability to earnings, but from a national standpoint, an ironing out of peaks and valleys in the curve of business prosperity.

* * *

Forming the World Bank

AMERICA makes its contribution to the organization of the world bank with the sailing last week of Jackson Reynolds, president of the First National Bank of New York, and Melvin Traylor, president of the First National Bank of Chicago. At a meeting with representatives of Belgium, France, Germany, Great Britain, Italy and Japan, the International bank will be brought into being. According to the Young plan it will begin with an initial share capital of $100,000,000.

* * *

Europe Has Its Bank Mergers

AMERICA is not alone in its bank mergers. From Berlin comes the announcement of the consolidation of the Deutsche Bank and the Disconto Gesellschaft, resulting in the largest institution of its kind in Germany, with resources of four billion marks, or close to our billion dollar class. It is interesting to note that both of the banks concerned in this consolidation operate branch systems throughout Germany and also that American capital has contributed to the upbuilding of both institutions, substantial stock issues having been sold in this country.

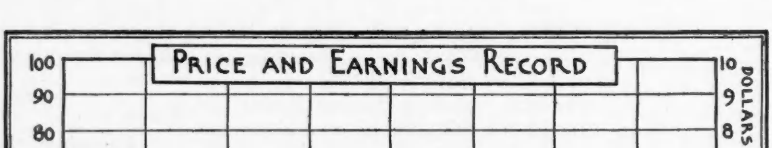
MISSOURI—KANSAS—TEXAS

Prospects Brighten for Mid-Western Carrier

Merger Position and Improving Earnings Lend Attraction at Current Levels

By K. I. Perrine

AN improving trend in earnings as a result of growing traffic and efficient operation, coupled with indications of recent accumulation of the stock and merger prospects of the road lend considerable attraction to the shares of Missouri-Kansas-Texas at current levels. It is true that the past history of the company has been far from good, but its record since the last reorganization and present standing strongly indicate that the darkest chapters in its career are behind it.



The road was originally organized in 1865 as the Southern Branch of the Union Pacific Railway Co. and, through the aid of many land grants, spread out through the Indian Territory. Later, in 1880, the Goulds gained control of the road, leasing it to the Missouri Pacific for the sole purpose of improving the latter. As a result the Katy was poorly managed and in 1888 was forced into the hands of receivers.

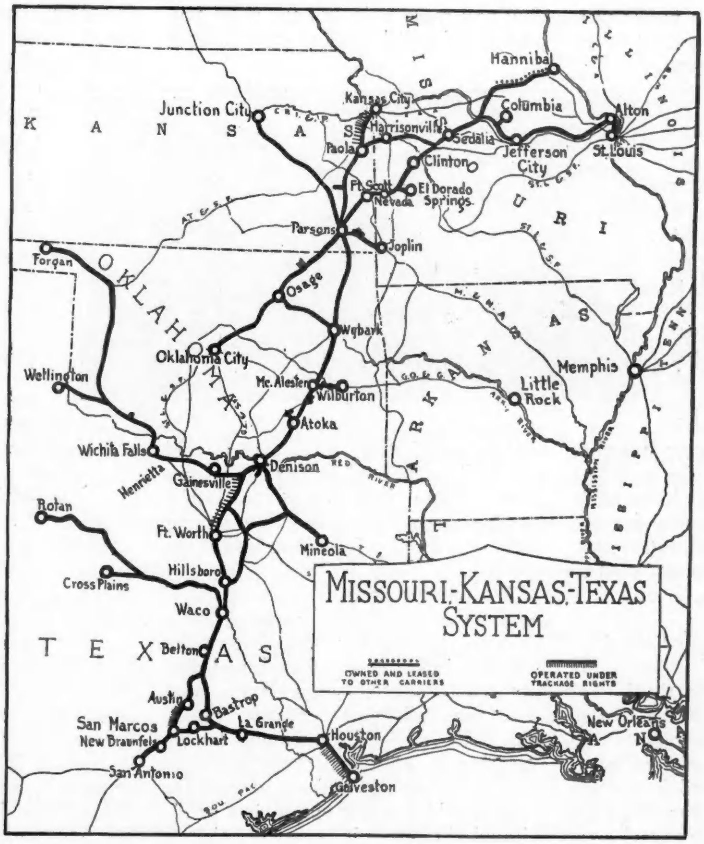
This receivership terminated the control of the Goulds and the company launched into a period of prosperity so that in 1906 the preferred was put on a 4% dividend basis which continued until 1913. Unfortunately, however, in 1910 the company desired to raise some capital for the purpose of acquiring various subsidiary lines which it was thought would be of considerable benefit to the company's growth. Business conditions at that time were so poor that it was impossible for a road to obtain capital through the issuance of bonds making it necessary for the road to bring out a $10,000,000 issue of short term notes maturing one year later. When these notes fell due business conditions had shown no improvement so that the company was forced to renew them for another year. As a matter of fact this issue of notes was increased from time to time until in 1915 the outstanding amount stood at $19,000,000. Inability to meet this obligation forced the road into the hands of receivers for a second time.

It was not until 1921 that a definite plan for the reorganization of the road was announced and accepted. This plan, which called for a new company to be formed known as the Missouri-Kansas-Texas Railroad Co., was declared operative in January, 1922, and the new road was incorporated in July of the same year. In April, 1923, the new company took over the operation of the road's properties.

The Katy System, which includes the Missouri-Kansas & Texas Railway Co. of Texas and various subsidiary lines, operates 3,188 miles of line in the states of Missouri, Kansas, Oklahoma and Texas. Its lines extend from Hannibal, Mo., and Alton, Ill., southwesterly to Parsons, Kansas, where they are joined by lines from Junction City and Paola. From Parsons, one line runs southwest to Oklahoma City, and the other south through Denison to Denton, Texas, where the lines fork, one road going through Fort Worth and the other through Dallas to join again at Hillsboro. From this point they continue on south through Waco to Granger

where a line branches off, running through Austin, to terminate at San Antonio. The main line continues southeast through Houston to Galveston on the Gulf. Numerous spurs branch out from the main line and give the road access to such cities as Joplin, Mo., Forgan, Okla., Wellington, Wichita Falls, Rotan, Cross Plains, and Sherman, Texas. The system has access to Kansas City from Paola and to St. Louis from Alton over trackage rights so that in a general way the road connects St. Louis and Kansas City with the Gulf of Mexico, passing through a territory that is exceptionally rich in natural resources. While the Kansas City Southern Railway forms a much more direct route between Kansas City and the Gulf, the Missouri-Kansas-Texas has considerably more branch mileage than the former road and therefore originates a much larger percentage of its traffic on its own lines. This is a particularly strong point in favor of the Katy.

Manufactured and miscellaneous products exceed by far the other classes of commodities hauled by the road, accounting for more than 45% of the total tonnage carried. Products of mines rank next amounting to 26%, with agricultural products not far behind at 20%. Animal products, which account for approximately 3%, products of forests, 3%, and less than carload freight, 3%, make up the remainder. For the past five years the percentage of manufactured and miscellaneous products has shown a tendency to increase while that of mines has shown a gradual decrease. Refined petroleum and its products constitute more than 25% of the total freight hauled and are by far the most important items, as more than two-thirds of this freight originates on the company's own lines. Next in importance come clay, gravel, sand and stone, which account for nearly half of the products of mines which the company hauls, while wheat, cotton, and crude oil are of no small importance. One advantage which the Katy has over the other roads in its territory is that about 60% of its freight tonnage originates on its own lines and therefore more revenue is derived from its movement. The movement of traffic over the lines of the Missouri-Kansas-Texas is fairly well distributed, there being an average of 31 loaded cars per train running north and east, and 34 cars south and west.



Earnings

Since the reorganization of the road in 1923 earnings have remained fairly constant, the total operating revenues ranging from a low of $55,987,000 in 1923, to a high of $58,100,000 in 1926. Last year a heavier movement of wheat, corn, automobiles, crude and refined petroleum, and various other manufactures and miscellaneous freight caused the freight revenues to increase $1,300,000 over the previous year to $45,262,000. This more than offset the decline of $1,000,000 in passenger revenues which resulted from the loss of commuters to the busses. The total operating revenues amounted to $56,549,000 or an increase of $367,000 over the 1927 year. Due to a decrease of $405,000 in operating expenses and $807,000 on the adjustment bond interest, a net income of $7,496,000 was shown. This surpasses by more than $1,000,000 the net income in 1926, the banner year for the company. Regardless of this big increase in the net income of the road, the earnings per share on the common stock amounted to only $4.61, as compared with $5.54 in 1926. However, the cause for this difference is plainly visible in that the road has been exchanging its preferred stock for the 5% Adjustment bonds and reducing its fixed charges by the retirement of other bonds.

Earnings for the first six months of this year were very satisfactory, with gross operating revenues reported at $26,700,000 as compared with $25,300,000 for the same period last year. Although operating expenses have increased during these six months about $900,000, the interest charges have been reduced, so that the surplus after charges for the first half year shows a gain of about $475,000 as compared with the same period in 1928. On the basis of current earnings it is estimated that Katy will show earnings of around $5 a share on the common stock in 1929.

Improved Financial Structure

For the past few years the financial structure of Missouri-Kansas-Texas has been undergoing a change that is of considerable benefit to the road, that of cutting down the funded debt and replacing the same with preferred stock. In 1924 there was $30,000,000 of preferred outstanding, $82,420,000 common, and a funded debt of $165,450,000. This has been gradually changed so that in June of this year the capital structure consisted of $65,587,000 7% cumulative "series A" preferred stock, 808,520 shares of no par common stock, and a funded debt of only $111,000,000.

During the 1928 year the Katy spent $2,327,000 on additions and improve-

(Please turn to page 1034)

PUBLIC SERVICE CORP. OF N. J.

Investment Opportunity in a Billion-Dollar Utility

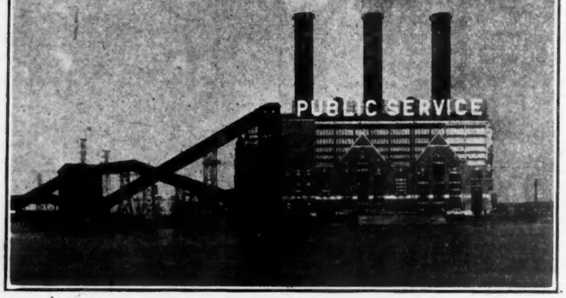
Tremendous Growth Shown in Profitable Territory

By RUSSEL TAYTE

THE strategic position occupied by Public Service Corp. of New Jersey in the Eastern public utility field is more clearly apparent when it is realized that the company operates in what is probably the most highly industrialized territory in the United States. The consistent and rapid growth which the state of New Jersey has experienced, and in particular that part where the properties of Public Service are located, is unquestionably the direct result of its geographic situation. The proximity of the two great cities of New York and Philadelphia, between which the company's territory forms a direct highway, together with unexcelled facilities for both rail and ocean transportation, have made this section a natural center for the establishment of industrial enterprises, and today it is probably unequalled as a manufacturing territory.

Densely Populated Area Served

New Jersey is now the third most densely populated state in the Union, but over 80% of its inhabitants and about 90% of its industrial concerns are estimated to be situated in a single compact section of land comprising less than one-third of the state's total area. There is thus ample room for further rapid expansion of its population and industries, a development which will undoubtedly be accelerated as a result of the much improved transportation facilities between this territory and the congested centers of New York and Philadelphia. Not only will the overflow find room here, but the more favorable industrial operating conditions will unquestionably attract many old and well established enterprises to this area. These factors give to Public Service Corp. of New Jersey an unusual opportunity for public utility operations.



The present company was organized in 1903 as a holding company for a number of small utility enterprises which it leased or purchased, and during the twenty-six years of its existence has undergone continual expansion both by development and by acquisition of additional properties until now the company ranks as one of the largest public utility enterprises in the United States. It supplies electric power and light, gas or transportation facilities to nearly 340 communities, including such important cities as Newark, Jersey City, Paterson, Trenton, Elizabeth, Camden, Hoboken, Passaic, Bayonne, New Brunswick and the Oranges. The population reached by one or another type of service is estimated at about 3,100,000 or approximately 82% of the total in the state of New Jersey. About 90% of the people in the company's territory receive all types of service.

The greatest expansion in the facilities of Public Service has been in the electrical division in line with the rapidly growing demand for electric power. The sale of electricity is by far the largest part of the company's business, in 1928 accounting for 46.8% of the total gross revenues, comparing with 22.9% for gas, and 30.3% for transportation.

Encircled by Huge Power Pool

The electric generating system of the company is one of the largest and most efficient in the world, and last year was able to produce 1,736,606,053 k.w.h. in its six generating plants. Excluding inter-company railway current, Public Service sold 1,406,258,947 k.w.h. in 1928, a gain of 13.9% over the preceding year. A small amount of power is purchased from outside sources. Last year this amounted to 142,418,010 k.w.h. or about 8.2% of the energy produced from its own equipment. The growth in the company's electric business this year is even greater than last year. The sales of electricity for the first six months show a gain of 17.6%.

The formation of one of the world's

largest power pools through a contract executed in 1927 with the Philadelphia Electric Co., and the Pennsylvania Power & Light Co. provides for the interconnection of the three systems and a mutually beneficial exchange of power. For this purpose, Public Service is spending about $22,000,000 this year for the construction of transmission lines, switching stations, substations and other equipment. The combined generating capacity thus made available, including the Conowingo hydro-electric development, will amount to about 2,250,000 kilowatts.

The future plans of Public Service call for a tremendous development of the generating capacity within its own territory. A power station with an ultimate capacity of 1,000,000 kilowatts, one of the largest in the country, will be built north of Sewaren, N. J., accessible to tidewater and for which purpose a tract of land covering approximately 125 acres has been acquired. It will probably be several years before actual construction will begin, but the adoption of the plan in itself is an indication of what the management expects in the future. Sewaren was selected as the site for this proposed new power station because of the rapid expansion in the industrial field in central New Jersey, and because of electrification programs being considered by some of the larger railroad systems operating in the company's territory.

The new plant in addition to supplying the requirements of the immediate territory in which it will be located, will also constitute another and important source of energy for the huge power pool supplying the northern New Jersey industrial area.

The gas division of Public Service also has shown steady expansion in demand, but not of course to the same degree indicated by the electric division. The increase in demand comes from both industrial and domestic sources. New uses for gas are being found annually, and more industries are adopting it for fuel. One channel which gives promise of substantial growth is for domestic heating purposes, a phase which has not been developed to any great extent. A campaign is actively being conducted to educate the public on the advantages of gas over both fuel oil and anthracite for heating homes.

The more widespread use of gas refrigerators is also a contributing factor to increase in gas sales. In 1928 the total amount of gas sold aggregated 23,826,000,000 cubic feet, an increase of 5.5% over 1927. Of the total sales of gas in 1928, nearly one-fifth was for industrial purposes, indicating that sales in this division are showing steady increases as a result of the larger number of industries using gas. Evidence of growth in the gas division is shown by the extension of the company's plant and equipment involving an additional investment last year of $4,428,456. The growth of the communities in its territory required the laying of 290 miles of gas distributing mains bringing the total mileage of the system to 4,600.

Transportation on Sounder Basis

In the transportation division, Public Service has experienced the same difficulties that practically all utility concerns operating traction systems have encountered in recent years. The number of passengers carried has shown gains from year to year, but still this branch is far from being profitable Relatively, however, the company has been notably successful in solving the difficulties encountered here. Wherever possible and more economical, buses have been substituted for trolley lines, and its 1,650 buses operated at the end of 1928 constituted the largest system of this kind in the country. Through an inter-company merger last year, the control of both the trolley and bus operations were placed under one management, a step which has resulted in important economies. For the first time in several years transportation operations, after depreciation and other charges, were profitable in 1928, when net income equalled $189,000 as compared with a net loss of $439,000 in 1927.

Among Public Service's other varied interests, the formation in 1927 of the United Engineers and Constructors, Inc., through the merger of Public Service Production Co., the U. G. I. Contracting Co., Dwight P. Robinson & Co., Inc., and the Day & Zimmerman Engineering and Construction Co., has proved particularly successful. This company is one of the best equipped engineering enterprises in existence, and last year completed approximately $68,000,000 of construction work, over half of which was for clients having no ownership in the concern. Participation in this enterprise in which Public Service has a 40% interest should not only result in a new and important source of income, but rounds out the organization in a manner which assures it a large measure of self sufficiency.

Well Balanced Capital Structure

Although Public Service has expanded its properties enormously in recent years, it has nevertheless maintained a well balanced capital structure. This consists of $215,080,128 of funded debt of the corporation, subsidiary and lessor companies, $130,534,100 of various classes of preferred stock, and 5,307,906 shares of no par common stock which at current quotations has a market value of approximately $690,028,000. The total of the capitalization places the company in the billion dollar class.

The gross revenues have shown uninterrupted yearly increases since in-

Growth of Public Service Corp. of N. J.

Gross operating revenues—	1924	1925	1926	1927	1928
Electricity	$34,889,632	$40,016,175	$46,954,362	$52,398,848	$58,860,099
Gas	24,542,644	24,181,431	26,286,247	27,242,453	28,683,369
Transportation	28,257,177	30,517,919	33,062,601	35,369,607	37,985,112
Total gross operating revenues	87,689,453	94,715,525	106,303,210	115,005,908	125,528,580
Net operating income	22,688,736	25,039,881	29,452,223	32,070,718	36,972,495
Ratio of oper. exps., maint., taxes and amort. to gross revenues	74.13%	73.28%	72.30%	72.11%	70.55%
Net available for common	5,427,798	6,543,119	9,730,118	9,185,224	16,246,865
Earned per share on common	2.20	2.10	2.44	2.21	3.28
Total fixed capital investments	392,610,754	440,939,296	479,894,785	514,151,140	524,885,782

corporation in 1903. For the twelve months ended June 30th, 1929, operating revenue was $131,052,864, an increase of 8.8% over the same period last year. After all charges, interest and preferred dividends, the balance for the common amounted to $19,515,959, an increase of 68% over the $11,602,584 earned in the previous twelve months. On a per share basis, this was equal to $3.91 on the average amount of stock outstanding during the period, as against $2.70 in the previous period. Public Service has long followed a conservative policy in regard to maintenance and depreciation charges, the total of these two for the most recent period being 17.5% of the gross, divided 9.3% for maintenance and 8.2% for depreciation. These charges are well above the average for public utility companies and create a backlog of hidden earnings. In evaluating the relative earning power of the company this factor must be considered.

The ability of the company's management has made possible constant improvement of operating methods, which is reflected in the steady decrease in the operating ratio. This together with the sustained growth in its territory of both industry and population has been responsible for Public Service's tremendous progress and these same influences assure for the company a continuance in the future of the brilliant record it has already established in the past. The potentialities of an even greater expansion than it has experienced in the past may be realized as a result of its strategic position in the Eastern utility field. A definite recognition of this important position is perhaps indicated by the fact that the largest holdings of the recently organized superholding company, the United Corp., directly or indirectly consists of the common stock of Public Service Corp. of New Jersey. Reflecting these factors, the common stock has shown a steady tendency to advance in price and is currently selling for about $130 per share. This is approximately thirty times the indicated per share earnings for the year and compares with the general average selling price of the leading utilities. Allowance for the backlog of earnings created by the system's method of depreciation and maintenance adjustments would lower the ratio substantially. In view of the company's excellent prospects, the stock represents an attractive investment holding for the long period.

For Feature Articles to Appear in the Next Issue See Page 989

Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

	Prior Liens (Millions)	Interest Times Earned On All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Panama 5½s, 1953 (a)	....	...	102½GT	100	5.5	5.5
Argentine 6s, 1959 (a)	....	...	100	98	6.1	6.1
Haiti 6s, 1952 (b)	....	...	100	98	6.1	6.2
Dominican 5½s, 1942 (a)	....	...	101G	93	5.9	6.4
Chile 6s, 1960 (a)	....	...	100	89	6.7	6.8

Railroads

	Prior Liens (Millions)	Interest Times Earned On All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Atchison, Top. & S. F. Conv. 4s, 1955	267.4	5.51	110	88	4.6	4.8
Pennsylvania 5s, 1964	....	3.25	102T	102	4.9	4.9
Illinois Central 4¾s, 1966	....	1.75	102½GT	96	4.9	5.0
Rock Island-Frisco Terminal 1st 4½s, 1957 (d)	....	X	102½T	92	4.9	5.0
Central Pacific Guar, 5s, 1960 (a)	....	2.25	105GT	100	5.0	5.0
Missouri Pacific 1st & Ref. 5s, 1977 (a)	125.2	1.28	105A	95	5.3	5.3
N. Y., Chic. & St. L. Ref. 5½s, 1974 (a)	59.6	2.12	105	104	5.3	5.3
Western Pacific 1st 5s, 1946 (b)	....	1.27	100	96	5.2	5.4
Great Northern Gen. A 7s, 1936 (b)	139.8	2.36	....	109	6.4	5.4
Central of Georgia Ref. 5½s, 1959	31.1	1.56	105AG	101	5.4	5.4
Chic. & W. Indiana 1st Ref. 5½s, 1962	49.9	1.50	105	101	5.4	5.4
Nor'n Pacific Ref. & Impr. 6s, 2047 (a)	166.7	2.43	110G	110	5.4	5.4
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 (b)	13.9	X	107½T	107	5.6	5.5
Balt. & Ohio Ref. & Gen. 6s, 1995 (a)	284.2	2.05	107½AG	108	5.6	5.5
Wabash Ref. & Gen. 5½s, 1975 (a)	62.4	1.75	105AG	99	5.6	5.6
Southern Railway Dev. & Gen. 6s, 1956	133.8	2.48	....	112	5.4	5.6
Minn., St. Paul & S. S. M. 1st 4s, 1938	....	1.59	....	86	4.7	6.1
Cuba R. R. 1st 5s, 1952	....	2.78	....	82	6.1	6.5

Public Utilities

	Prior Liens (Millions)	Interest Times Earned On All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.62	....	101	4.9	4.8
Pacific Gas & Elec. Gen. Ref. 5s, 1942	34.6	1.92	105T	100	5.0	5.0
Consol. Gas of N. Y. Deb. 5½s, 1945 (a)	....	5.40	106T	105	5.2	5.0
Columbia Gas & Elec. Deb. 5s, 1952	....	5.15	105T	97	5.1	5.2
Detroit Edison 1st & Ref. 6s, 1940 (b)	14.0	3.27	107½T	107	5.6	5.2
Montana Power Deb. 5s, 1962 (a)	34.7	2.67	105T	96	5.2	5.2
Utah Power & Light 1st 5s, 1944	....	2.90	105	97	5.2	5.3
Hudson & Manh'n 1st Ref. 5s, 1957 (b)	5.9	2.63	105	91	5.5	5.6
Amer. W. Wks. & El. Deb. 6s, 1975 (a)	12.7	1.43	110	103	5.8	5.8
Postal Tel. & Cable Co. Tr. 5s, 1953	0.6	1.99	105	90	5.5	5.8
Seattle Electric—Seattle Everett 1st 5s, 1939 (d)	....	2.01	105	94	5.3	5.8
Phil. Rap. Trans. 6s, 1962 (c)	10.0	1.31	105	96	6.3	6.3
Twin City Rap. Transit 1st & Ref. 5½s, 1952 (b) (d)	4.4	1.68	105T	79	6.9	7.4

Industrials

	Prior Liens (Millions)	Interest Times Earned On All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Youngstown Sh. & Tube 1st 5s, 1978 (a)	....	3.74	105T	100	5.0	5.0
Allis Chalmers Deb. 5s, 1937 (a)	....	4.61	103T	100	5.0	5.0
Gulf Oil Deb. 5s, 1947 (c)	....	4.59	104AT	99	5.1	5.1
Amer. Cyanamid Deb. 5s, 1942	....	9.52	100	96	5.2	5.4
International Match Deb. 5s, 1947 (a)	....	57.03	103T	94	5.3	5.5
Chile Copper Deb. 5s, 1947 (a)	....	5.69	102T	94	5.3	5.5
Sinclair Pipe Line 5s, 1942 (a)	....	3.68	103	92	5.4	5.8
B. F. Goodrich 1st 6½s, 1947 (a)	....	2.61	107A	107	6.1	5.9
U. S. Rubber 1st & Ref. 5s, 1947 (b)	2.6	1.70	105A	86	5.8	6.4
Loew's Inc., 6s, 1941 (ex-war.) (a)	....	6.70	105AT	92	6.5	7.0

Short Terms

	Prior Liens (Millions)	Interest Times Earned On All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Amer. Cotton Oil 5s, May 1, 1931	....	19.32	105	99	5.1	5.0
N. Y., Chic. & St. Louis 2nd & Impr. 6s, May 1, 1931 (a)	17.3	2.12	102	100⅛	5.9	5.7
Brooklyn Edison 6s, Jan. 1, 1930 (a)	12.0	5.87	105	100	6.0	6.0

Convertible Bonds

	Conv. Into	Interest Times Earned On All Funded Debt	Call Price	Price	Current Income	Yield to Maturity
Inter'l Tel. & Tel. Deb. 4½s, '39	Com. @200	6.02	102½	200	2.3	..
Atch., Top. & S. F. Deb. 4½s, '48	Com. @166.6	5.51	102	156	2.9	..
N. Y., N. H. & Hart. 6s, '48	Com. @100	1.69	...	129	4.7	3.8
Amer. Inter'l Corp. Deb. 5½s, '49	Com. @ 80	2.34	105	117	4.7	4.3
Chesapeake Corp. Col. Tr. 5s, '47	C & O @196	2.45	100	98	5.1	5.2

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100

A—Callable as a whole only. T—Callable at gradually lower prices. G—Not Callable until 1930 or later. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter.

Profit Possibilities in Monopoly Stocks

Attractive Opportunities Found Among Companies Which Operate Without Material Competition

By FRANCIS C. FULLERTON

In this rapidly changing era absolute monopoly is inconceivable. Competition between industries themselves, substitutes or new materials and uses preclude complete control, and fortunately so. Nevertheless the trade position, through patents, control of materials, franchises or other factors is so strong in some cases as to place a few corporations above any appreciable competition in their respective fields. Among the handful of companies so situated there are some which have yet to reach the full stage of their development; which have not discounted their future and so present favorable opportunities for profitable investment.

WITH a better understanding of economic problems and corporate relationships that has followed from the wide diffusion of public security ownership over the last decade, most of the disagreeable connotations once associated with the word "monopoly" have, happily, been forgotten.

The movement toward mass production and large scale combinations, for which American industry is noted, began about the time of the Civil War. It was, perhaps, inevitable that the development of trusts should be accompanied by unwise attempts to strangle competition and bring about unfavorable public reaction to, and numerous popular misconceptions of, all monopolies. But since the dissolution of the objectionable types of trusts shortly after opening of the Twentieth Century, there has been a growing realization that the industrial and other combinations of the present day are rather more favorable than adverse to the public interest because of their high economic efficiency.

Monopoly Defined

A monopoly is determined by ability to regulate production to such an extent that the producer may control the price of the article in question. It is seldom, however, that a monopoly is complete, or that it seeks to control prices to the extent popularly assumed. The monopoly producer, like any other, seeks to make a profit. Accordingly, he must determine the price at which his product can be sold in sufficient volume, and then so regulate production costs as to leave a fair margin of income. Hence, though the monopoly industry nominally sets the price, actually, it is the consuming market that finally determines it, for any attempt to set the price too high would diminish sales to the point not only where production costs would lessen profits, but where the consuming public would be driven to seek substitutes.

Obviously, therefore, a monopoly has only a relative advantage over the producer in a competitive market and is subject to substantially the same economic influences. At the same time, the former does enjoy certain distinct advantages which are particularly interesting from the standpoint of the investor.

Thus, the monopoly adapts itself more rapidly to changing market situations because of concentrated control over output. It may prevent price fluctuations (as distinguished from long term movements due to fundamental economic causes) from being carried too far. A certain stability of earning power is thus more or less inherent in the monopoly, though the degree of such stability is determined, of course, by the particular type of enterprise. It has the further advantage of ability to command capital and brains, to follow developments in its industry more intelligently and to further its interests through intensive application to research.

Forms of Monopoly

There are, of course, various forms of monopoly. Where a concern enjoys a dominating position in the production of natural resources, it is said to be a natural monopoly. International Nickel for example, controlling over 80% of the world's commercially valuable nickel ore, falls into this class. The Aluminum Company of America combines a natural monopoly over limited ore supplies with its large command of capital and aggressive trade policies, to dominate in its own particular sphere. Eastman Kodak holds a dominating position largely through the possession of legal monopolies in the form of patents. And again, American Telephone & Telegraph is the principal factor in the telephone industry since the duplication of this type of utility service is not in keeping with public expediency. Although there are fundamental differences in the character of the operations of each of these types, it will be noted that all of them are exceptionally strong concerns financially and that research and development is stressed in every case.

Generally speaking, the merit of securities of this kind does not rest upon any extraordinary profits made by the respective companies because of their dominant positions, but rather upon a relative stability of earning capacity. The three companies selected for the following sketches as examples of the "monopoly" type, will readily be recognized

as the dominant factors in their respective industries.

Vanadium Corporation

Vanadium occupies a position in its own branch of the metal mining and manufacturing industry analagous to that of Aluminum Company in the latter's particular field. Substantially the whole of the vanadium business of the world is concentrated in the hands of the Vanadium Corporation, only a small percentage being produced competitively.

Vanadium is one of the most expensive and useful metals employed in the steel industry. It is also used as an alloy of copper, in the manufacture of dyes and indelible inks, for calico printing and in ceramics. The airplane industry promises to open another broad market for vanadium steel, but the greatest demand for this silvery white metal comes from the motor manufacturers and the steel producers. Hence, earnings tend to have a close relationship to fluctuations in the fortunes of these two major industries.

It seems probable, nevertheless, that the irregularity of earning power exhibited in earlier years will henceforth be modified, even in the event of setbacks to these important consuming trades, whose prosperity has contributed a marked degree of stability to Vanadium's per share income since 1925.

In the first place, the company's financial position has improved measurably from year to year. At the close of 1928, net current assets totaled 6.52 million dollars, including 3.45 million dollars in cash, call loans and marketable securities. Current liabilities amounted to only $432,163, making working capital 6.09 millions, contrasted with the 3.79 million dollars shown at the end of 1922. Surplus, including capital stock, increased during this period from 14.52 millions to 17.52 million dollars.

Secondly, as in the case of other companies having ample financial resources, Vanadium has taken steps to strengthen its position against possible competition through the development of rival mining properties by acquiring desirable mining and manufacturing enterprises as opportunities arose. The first of these were the Primos Chemical Co., Primos Exploration Co., and the Primos Mining & Milling Co. The holdings of these units comprise vanadium ore lands in Colorado, one of the best molybdenum properties in the world, and tungsten mining lands, also in Colorado.

In 1925, the absorption of United States Ferry Alloys Corp. gave Vanadium three additional products, ferro-silicon, ferro-chromium and silico-manganese, likewise extensively used in the iron and steel industries. In addition to the manufacturing plant at Niagara Falls, N. Y., this acquisition brought a deposit of silica rock at Lewiston, N. Y., and a chrome ore property in the Province of Quebec to swell the total of the company's ore reserves.

A half interest in the Rhodesian Vanadium Corp. was obtained in 1927, whereby ore reserves were still further enhanced and since the early part of 1926, Vanadium has imported all of its chrome ore from the Colony of Rhodesia, South Africa, where this former company's holdings are situated.

While the production department was thus being bulwarked, a research and development division was established at the Bridgeville, Pa., plant in 1925. Probably the most important result of this venture was the beginning of research into the field of metallurgy which induced Vanadium Corp., two years ago, to develop a line of more than one hundred chemical compounds derived from rare and semi-rare metals. These items are understood to be non-competitive with the products of older chemical manufacturers.

This phase of activities has not yet reached a point of development great enough to contribute materially to current earnings. At the same time, the speculative possibilities of the common stock, now outstanding in the amount of 376,637 shares, have been enhanced by the potentialities of this new field. In addition to the regular $3 dividend, Vanadium paid extras of $1 in each of the last three years. With net profits of $3.12 a share in the first half of 1929, compared with $2.57 in the like period of 1928, it is reasonable to assume that a similar extra disbursement will be made this year. As a semi-speculative issue, Vanadium would appear to hold promise as commitment for the long pull.

Pullman Incorporated

By virtue of the predominance of its sleeping and parlor car business, in which field the company operates with negligible competition, Pullman may be classed among the leading types of corporations affected with a monopoly complex. Pullman, Inc., was brought into being as a holding company in 1927 when a corporate reorganization was undertaken in order to permit the segregation of the carrier business from the car building operations.

The importance of the non-competitive transportation activities is readily apparent from the fact that the Pullman Company last year contributed a net balance, before taxes, of 12.48 million dollars to the consolidated net income of 18.39 million dollars accruing to Pullman, Inc., from all sources. Of the difference between these two items, net earnings of the car manufacturing division, including Pullman Railroad, accounted for only 2.92 million dollars, after depreciation and other charges, or a trifle

Statistical Comparison of Three "Monopoly" Companies

	International Match Corporation	Pullman, Incorporated	Vanadium Corporation
Bonded Debt	$49,447,500	none	none
Preferred Stock	47,250,000	none	none
Common Shares	‡1,000,990	3,371,848	373,637
†Current Assets	$19,888,364	$92,899,589	$6,523,201
†Current Liabilities	$12,902,783	$20,254,197	$432,163
†Profit and Loss Surplus......	$57,124,104	$109,432,360	*$17,526,336
Earned per Share, 1928......	P-$14.15	$4.86	$4.55
Earned per Share, 1927......	P- 12.31	3.42	4.97
Earned per Share, 1926......	P- 10.80	§12.07	5.50
Earned per Share, 1925......	......	§11.68	4.39
Earned per Share, 1924......	......	§11.56	1.80

† As of December 31, 1928. * Including capital stock. § Earnings of predecessor Pullman Company for fiscal years ended July 31. ‡ Nearly all held by Swedish Match Company. P—On preferred stock without allowance for participation of common.

less than the 2.98 million dollars earned by the parent organization on its investment account.

Thus, Pullman's contracts with substantially all railroads in the United States and the extension of sleeping and parlor car operations into Mexico and Canada, form the backbone of a business substantially monopolistic and inherently stable. True, carrier income is not wholly immune to fluctuations, being subject to variations in business conditions that affect passenger travel upon the railroads, and also influenced by such changes in general purchasing power as may tend to affect the public's demand for greater or less comfort in railroad accommodations. But to all intents, Pullman's deserved reputation as an investment stock rests primarily upon this phase of its activities. Despite the rather pronounced falling off in railroad passenger traffic because of the increased competition of the automobile, transportation revenues have tended to expand over the longer term, increased long haul traffic having compensated largely for the loss of short haul business.

Meanwhile, though the manufacturing division seemed likely to assume a more important place after the acquisition of Haskell Barker in 1922, the severe depression prevailing in the equipment industry during the last three years, has obscured the ultimate possibilities of this department. In the 1924 fiscal year, net returns from car manufacturing operations and investments touched a high water mark, amounting to 7.90 million dollars for the ten months ended May 31st, 1924, which compares with 3.94 millions for the full 1922 year. Since the first named period, income from that quarter has been declining, and the transportation business has carried the burden of maintaining Pullman's earnings position.

Since the parent company has been drawing ten million dollars in dividends annually from Pullman Co. and but three millions from Pullman Car & Manufacturing Co., a revival of the overly long depressed equipment industry would hold interesting possibilities. These sums, with the income from other sources, suffice to cover the present $4 dividend on Pullman, Inc., common by a small margin. Thus, the stability and slow growth of carrier revenues indicate that shareholders must look to the manufacturing division for a sufficient acceleration of earnings to justify more liberal dividend payments. In this respect, however, the possibilities of improvement are growing brighter, evidence having accumulated that the railroads are beginning to take aggressive steps to catch up with long

(*Please turn to page* 1048)

Preferred Stock Guide

NOTE: The following list of preferred stocks has been arranged solely on the basis of current yields. The position of any stock in the Guide is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per share	Earned $ per Share 1926	Earned $ per Share 1927	Earned $ per Share 1928	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	160.35	133.40	133.73	No	87	4.6
Union Pacific	4 (N)	41.17	39.85	46.32	No	84	4.8
Atchison, Top. & S. Fe	5 (N)	48.83	40.47	40.21	No	102	4.9
Southern Railway	5 (N)	39.33	36.17	32.11	100	99	5.1
Baltimore & Ohio	4 (N)	48.41	38.44	49.44	No	79	5.1
Pere Marquette Prior	5 (C)	68.77	64.08	75.60	100	97	5.2
St. Louis Southwestern	5 (N)	12.00	9.30	8.84	No	90	5.5
Wabash "A"	5 (N)	11.86	6.87	9.24	110	91	5.5
N. Y., New Haven & Hart	7 (C)	....	22.05	34.40	115	127	5.5
N. Y., Chicago & St. Louis	6 (C)	24.65	20.31	17.68	110	108	5.6
Colorado & Southern 1st	4 (N)	52.56	57.76	49.45	No	69	5.8
Colorado & Southern 2nd	4 (N)	48.50	53.76	45.46	No	70	5.8
Kansas City Southern	4 (N)	10.86	9.04	14.01	No	68	5.9
**St. Louis, San Francisco	6 (N)	16.12	15.28	17.44	115	94	6.4
Missouri, Kans. & Tex	7 (C)	....	13.06	16.34	110	104	6.7

Public Utilities

Public Service of New Jersey	8 (C)	§21.46	§16.23	20.92	No	149	5.4
Columbia Gas & Electric	6 (C)	27.81	25.42	30.78	110	108	5.6
Philadelphia Co.	3 (C)	24.20	28.28	16.55	No	52	5.8
American Water Works & El.	6 (C)	22.63	24.30	31.05	110	101	5.9
Federal Light & Traction	6 (C)	41.51	39.67	49.93	110	101	5.9
Standard Gas & Electric	4 (C)	20.00	16.76	14.07	No	64	6.3
Electric Power & Light	7 (C)	13.83	16.21	17.00	110	108	6.5
Hudson & Man. R. R. Conv	5 (N)	40.32	40.70	37.02	No	74	6.8
Postal Tel. & Cable	7 (N)	....	....	7.19	110	103	6.8
Continental Gas & Elec. Prior	7 (C)	26.28	32.71	22.39	110	101	6.9
Amer. & Foreign Pow. 2nd	7 (C)	8.89	3.58	5.33	105	97	7.2

Industrials

Mathieson Alkali Works	7 (C)	67.36	74.06	84.50	No	125	5.6
Bethlehem Steel Corp	7 (C)	20.84	16.32	19.16	No	126	5.6
Case (J. I.) Thresh. Mach	7 (C)	29.39	38.43	32.59	No	121	5.8
Baldwin Locomotive	7 (C)	29.42	12.21	1.66	125	119	5.8
Deere & Co.	7 (C)	23.22	25.74	29.52	No	118	5.9
Brown Shoe	7 (C)	29.69	44.12	35.27	120	119	5.9
General Cigar	7 (C)	51.26	67.32	62.81	No	116	6.0
Spicer Mfg. Conv	3	58.54	74.42	26.00	57½	50	6.0
American Locomotive	7 (C)	20.88	16.60	10.83	No	115	6.1
Goodrich (B. F.) Co	7 (C)	13.96	39.19	10.36	125	113	6.2
Crucible Steel	7 (C)	26.19	22.47	22.54	No	111	6.3
Bucyrus-Erie	7 (C)	....	....	39.34	120	112	6.3
International Silver	7 (C)	24.39	30.82	27.48	No	110	6.4
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	110	6.4
Radio Corp. of Amer	5 (C)	....	....	5.36*	100	78	6.4
American Sugar	7 (C)	14.08	7.97	14.60	No	107	6.5
U. S. Smelting, Ref. Mining	3.5 (C)	6.25	6.28	8.43	No	54	6.5
Associated Dry Goods 1st	6 (C)	27.67	24.10	24.55	No	91	6.6
General Cable Co	7 (C)	27.69	25.72	25.92	110	106	6.6
Bush Terminal Debentures	7 (C)	16.81	18.88	20.55	115	105	6.6
Glidden Co. Prior	7 (C)	23.91	32.69	32.69	105	105	6.6
Tidewater Assoc. Oil conv	6 (C)	13.35	7.35	19.49	105	89	6.7
Loew's, Inc.	6½ (C)	....	....	57.12	105	97	6.9
Goodyear Tire & Rubber	7 (C)	11.83	13.80	13.90	110	101	6.9
Otis Steel Prior	7 (C)	16.36	11.30	28.68	110	100	7.0
Commerce Investm. Trust 1st	6½ (C)	27.72	24.36	45.50	110	93	7.0
International Paper	7 (C)	11.31	7.42	4.58	115	89	7.9

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. ** Adjusted to basis of present stock.

* Six months ended June 30, 1929.

Investment Diversity Through Shares of Chemical Giant

Future Potentialities Not Yet Discounted

By C. H. Owen

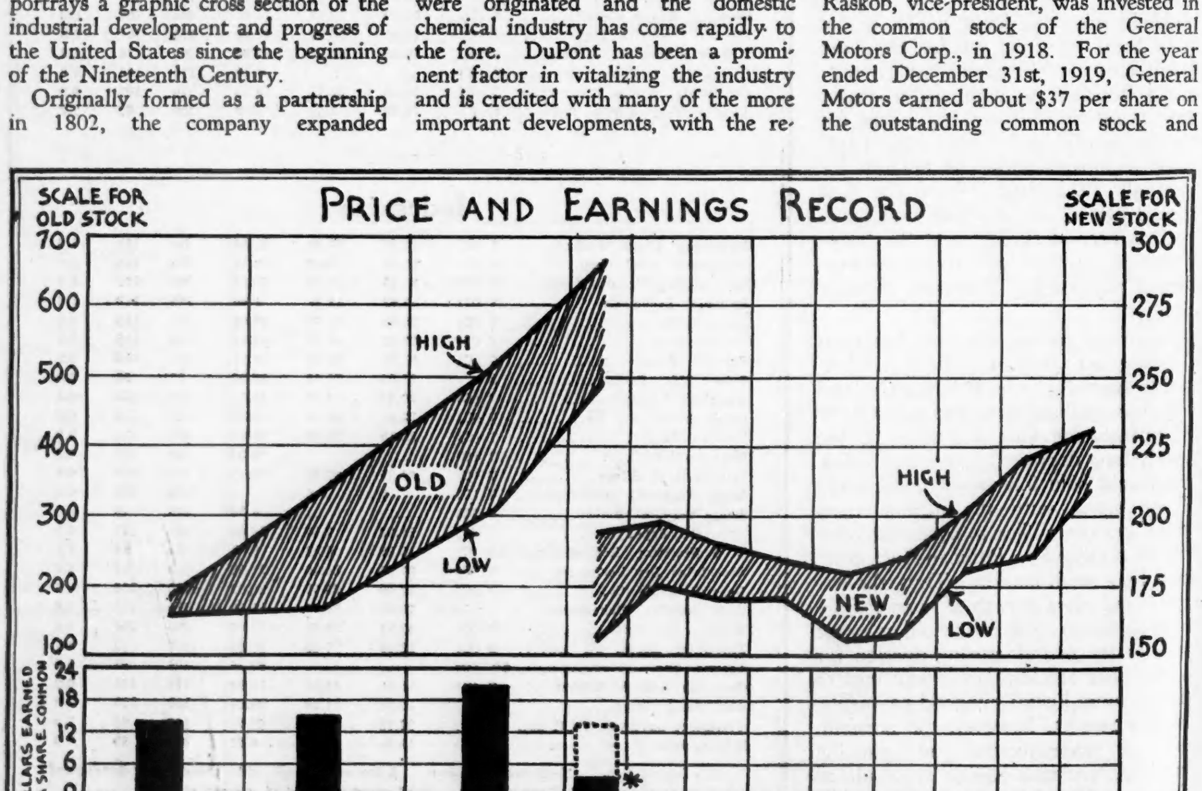
DIVERSIFICATION, one of the cardinal principles of scientific investment, is an element of equal importance in its relation to the activities and output of an industrial enterprise. It is a compelling factor in creating stability of earning power and enhances the possibilities of future growth. There are numerous companies in the United States which manufacture a long list of products, both kindred and otherwise, but there are few, if any, which equal the E. I. du Pont de Nemours & Co. in that respect. This company is one of the oldest in the country and its history portrays a graphic cross section of the industrial development and progress of the United States since the beginning of the Nineteenth Century.

Originally formed as a partnership in 1802, the company expanded steadily until it became a leading manufacturer of commercial and military explosives and in 1915 was incorporated in its present form.

General Motors Investment

Until the close of the World War, the manufacture of dyestuffs and other chemical products in this country was a minor industry and our needs were largely imported from foreign sources. During the subsequent years, however, a number of enterprising companies equipped elaborate research laboratories, new products and processes were originated and the domestic chemical industry has come rapidly to the fore. DuPont has been a prominent factor in vitalizing the industry and is credited with many of the more important developments, with the result that today it is one of the chief manufacturing units, with an extensive and diversified group of products.

During the war, the company is reported to have supplied about 40% of the explosives used by the Allies and a considerable portion of the United States' requirements. As a consequence, earnings for those years were enormous and during the three-year period from 1916 to 1918 common stockholders received over $175 in dividends. Despite the generosity to stockholders the company had built up a huge surplus, of which $48,758,250, upon the recommendation of J. J. Raskob, vice-president, was invested in the common stock of the General Motors Corp., in 1918. For the year ended December 31st, 1919, General Motors earned about $37 per share on the outstanding common stock and



duPont's investment, as measured by market quotations, had doubled in value. In November, 1920, this investment was substantially increased by the acquisition of the holdings of W. C. Durant following his resignation as president of General Motors. Later in 1923, following the formation of the Managers Securities Co. by General Motors for the purpose of permitting its principal managing executives to become stockholders, the duPont Co. sold 2,250,000 shares at $15 per share to this new company. At the present time, duPont owns, including its 70% interest in the General Motors Securities Co., 9,981,220 shares of General Motors Corp., common stock, equal to nearly 23% of the outstanding stock and only slightly less than one share for each share of duPont common stock outstanding. This investment is carried on the company's books at $16.50 per share or nearly $60 below the present market value.

General Motors Corp. has contributed handsomely to the earnings of duPont and dividends received from that source in 1928 amounted to nearly $38,000,000, equal to more than half the company's total consolidated net income. Generally, it has been the policy of the company to pass along to its own stockholders such extra dividends as have been paid by General Motors from time to time and in 1928 regular and extra dividends paid by duPont amounted to $17.25 per share of common stock outstanding prior to the split-up earlier this year. The present $4 annual rate is equal to $14 per share on the old stock, and of earnings available therefore General Motors Corp. will contribute $3.30 per share on the basis of the present regular rate and extras paid this year to date.

Diversified Output

While the company's investment in General Motors was the largest and probably the most important single undertaking since the war, the management has by no means been idle in expanding activities in other directions. The compilation of a complete list of the products emanating from the company at the present time would require considerable space but some of the more important of these include Duco paints, varnishes, Duco finish and nickel polish, lacquer, enamels, solvents, dyestuffs, tetra-ethyl lead used in producing an anti-knock gasoline, Fabrikoid, Pontop, Tontine, Rayon, Cellophane transparent wrapping paper, Pyralin toiletware, motion picture film, Duplate non-shatterable glass, alcohol and ammonia. Late in 1928, the Grasselli Chemical Co. was acquired which further extended the scope of the company's field to include acids, heavy chemicals, zinc products and other pigments. It is immediately evident that these products find a ready market among a wide diversity of users, a feature which, as previously pointed out, imparts a desirable measure of stability to earnings. Further than that, the possibilities for future expansion are practically unlimited and are likely to be further enhanced by the activities of an extensive research department.

Principal Subsidiaries of E. I. du Pont de Nemours & Co.

Subsidiary	% Controlled	Products
Du Pont Rayon Co.......	100%	Rayon
Du Pont Cellophane Co..,	100%	Transparent wrapping paper
Du Pont Pathé Film Mfg. Corp.	51%	Motion picture film
Du Pont Viscoloid Co....	100%	Pyralin toilet ware, toys, novelties, viscoloid sheets, rods and tubes and non-shatterable glass
Eastern Alcohol Corp.....	50%	Ethyl alcohol
Lazote, Inc.	89%	Synthetic ammonia and methanol
Grasselli Chemical Co....	100%	Acids and heavy chemicals, zinc products, dry colors, lithopone and other pigments.
Krebs Pigment & Chemical Co.	100%	Lithopone
Bayer-Semesan Co., Inc..	50%	Seed disinfectants
Pittsburgh Safety Glass Co.	50%	Non-shatterable glass

The parent company operates directly its explosives, smokeless powder, dyestuffs and fabrics, finishes and paint business.

Funded debt of the company is comparatively small, amounting to about $2,500,000 and is followed by 17,387 shares of voting and 977,944 shares of non-voting 6% debenture stock. Outstanding common stock totals 10,322,481 shares of $20 par value. Late in 1928, stockholders voted to raise the common stock from no par to $20 and subsequently shareholders received three and one-half shares of the new stock for each share of old held.

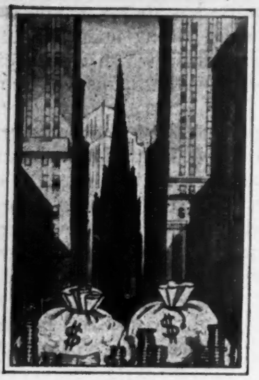
The company has always maintained an exceptionally strong financial position, a characteristic which is well exemplified by the salient items which appeared in the latest balance sheet, dated June 30, 1929. Current assets exceeded $112,000,000 (not including the General Motors investment), of which over $42,300,000 was represented by cash, call loans and marketable securities as compared with current liabilities of only $23,333,600. Surplus account was in excess of $142,000,000 and properties were carried at $197,915,000 with reserves for depreciation and obsolescence totalling $42,047,150. At this point it is important to note that it is the policy of the company to carry all permanent assets at their original cost and undoubtedly their present value greatly exceeds the figures at which they are carried in the balance sheet. Substantial charges are made against earnings for the purpose of maintaining properties at the maximum degree of efficiency and adequate provision is made for obsolescence, an important factor to be considered in the case of all chemical enterprises where it is possible for new inventions and methods to scrap millions of dollars' worth of machinery.

The company's record of earnings is an impressive one, particularly during the past several years. Although conditions at the termination of the war made it impossible to sustain the huge profits made during the term of years from 1916 to 1918 inclusive, and a period of lean earnings was inevitable during the company's transition to a ramified chemical and industrial organization, the trend of earnings in recent years has been consistently upward.

Earnings Record

Adjusted to conform with the present capitalization, profits in 1926, 1927 and 1928 were equivalent to $3.99, $4.42 and $5.97 per share in those years respectively. Net income last year included a profit of $2,286,000 realized on the sale of 114,000 shares of United States Steel Corp. common stock. Earnings experienced further dilation in the first six months of the current year, amounting to $3.75 per

(*Please turn to page* 1034)



Market Indicators

For Profit

Rail Earnings

Railroad earnings statements for August make pleasant reading for shareholders of most roads. The general gain in freight traffic for that month has been translated into increased gross and net revenues for the majority of carriers reporting to date. It is, perhaps significant that the rail shares have suffered relatively little from the recent unsettlement of the stock market. Action of the rail stocks in the present instance is in keeping with their performance during general reactions for sometime past. Inasmuch as there have been few attempts to discount the future prospects of the rails in a speculative way, appreciation in the market valuation of these issues has done little more than to hold prices in line with the actual improvement in earnings. Hence their ability to attract good buying on recessions.

* * *

Norfolk & Western

Norfolk & Western reported a gain of more than 1.16 million dollars in August net operating revenue compared with the same month last year. For the first eight months of the current year, net operating income totaled 27.39 million dollars against 19.38 millions in the corresponding period of 1928. President Needles has publicly stated that earnings for the full year are expected to approximate $24 a share for the common stock.

* * *

Erie

Erie has maintained the improvement noted in previously monthly earnings' reports. With net income after charges for the first eight months of 1929 nearly double the per share figure for last year, this road seems likely to make good the estimate of $7 a share for the twelve months. In some quarters, it is felt that dividends for Erie common are not so far away as is generally assumed.

Pennsylvania

Pennsylvania's August earnings registered an impressive gain, net operating income for the month rose to 13.75 millions against 11.35 millions last year. From all present indications, net income for the year should approach $10 a share, contrasted with $7.34 earned in 1928. An increase in the present $4 dividend would seem to be amply justified but in view of the fact that "Pennsy" has 57 million dollars of bond maturities next year and an ambitious improvement program, it is more likely that shareholders will be permitted to participate in the road's prosperity through an offering of new common stock, involving valuable subscription rights.

* * *

Continental Can Expands

Continental Can is embarking upon a more ambitious expansion program. The acquisition of Sociedad Industrial De Cuba, S. A., gives the company control of Cuban markets and for the first time carries its operations outside the United States. In addition to this indication of expansion outside domestic markets, it appears that Continental Can is also preparing to diversify its activities by entering other lines related to its principal business of making tin containers. Owens-Illinois Glass Co. is being mentioned as the next important probable acquisition. The latter, a consolidation of the former Owens Bottle and Illinois Glass Companies, is a leading factor in the manufacture of glass containers and bottle manufacturing machinery.

* * *

Paramount and Warner

At this writing, the merger of Paramount-Famous-Lasky and Warner Bros. Pictures, generally believed to be awaiting merely word from Washington to the effect that the consolidation would not constitute "restraint of trade," is complicated on the one hand by a report that a new company will be formed, giving Paramount shareholders two shares of the new company stock for one, and Warner Bros.' shareholders an exchange of one and one-half shares for one, while on the other, the president of the latter company is said to have stated "we are not in such a deal with Paramount." The merger movement in the amusement industry appears to be gathering force, however, and the Warner statement is largely viewed as nothing more than the customary "technical denial."

* * *

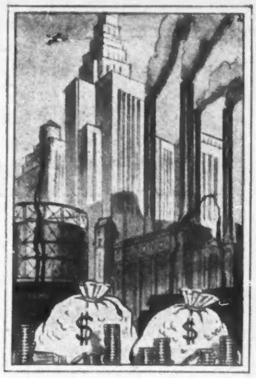
Shattuck Acquires Schrafft

Frank G. Shattuck Co. is offering stockholders of record October 1st, new shares at $50 in the ratio of one new for each six shares held. This subscription privilege will expire October 21st. The new capital obtained through the share offering is to be employed in financing the purchase of W. F. Schrafft & Sons Corp., whose candy manufacturing plant in Boston is the largest in the world devoted to the making of high quality chocolates. The outright purchase of this affiliated company will give Shattuck exclusive control of the valuable "Schrafft" trade name and foreshadows expansion of the company's activities in the merchandising field. Sales this year have continued to make new records, reaching 12.08 million dollars in the first eight months, compared with 10.63 millions in the same period of 1928. Net profits for the period were equivalent to $1.41 a share on the present capitalization, against $1.24 last year.

* * *

Continental Gains

Continental Baking Corp. has been maintaining the improvement in earning power developed under the present management. Net income, after all charges, amounted to 3.42 million dollars for the twenty-five weeks ended June 22nd, a gain of approximately



and Income

64% over last year. These earnings are equivalent to $4.89 a share for the Class A stock. While rumors of a recapitalization plan, designed to eliminate the 8% preferred stock, have cropped up on occasion, such a step seems likely to be delayed until the company's position is still further strengthened.

* * *

Glen Alden Merger

The anthracite coal industry, in which there have been evidences of over-production, will doubtless welcome the news that Glen Alden Coal Co. has taken over the Lehigh & Wilkes-Barre Coal Co. This is the largest and most important merger in the records of the industry. Acquisition of the Lehigh & Wilkes-Barre properties measurably enhances the status of the already strong Glen Alden Coal Co., famed as a low cost producer.

* * *

A Stolen March

General Motors' purchase of the North East Electric Co. is another step in this industrial giant's plan of expanding activities in fields related to the motor industry. North East manufactures automotive and electrical equipment of the type extensively used by leading passenger car and truck producers. Inasmuch as Chrysler has been an important patron of the General Motors acquisition and was at one time said to have been angling for North East, the automotive trade is inclined to feel that General Motors has stolen a march on its rival.

* * *

Radio and General Motors

Incidentally, General Motors' reputed venture into the radio business has materialized along somewhat different lines than previously reported. Radiolas and Victrolas will probably be marketed through the General Motors' agencies but the agreement between the Motor company and Radio Corporation, as announced, involves only a manufacturing arrangement, thus far, though one of material importance to both concerns none the less. Products of the Radio Corporation are to be manufactured at the plants of a recent General Motors' acquisition, the Day-Fan Electric Co., whose facilities are to be increased so that mass production methods may be applied. The Radio Corp. will own 49% of the stock in a new manufacturing subsidiary to be formed, while General Motors will hold voting control.

* * *

Better Equipment Business

The car manufacturing division of the railroad equipment industry has derived a great deal of encouragement from the revival in freight car buying of late. Inquiries covering a total of 30,000 cars appeared in one week recently. Actual orders of approximately 62,000 cars so far this year, exclusive of those built by the carriers in their own shops, compare with about 60,000 purchased in the whole of 1928. Pullman and American Car & Foundry would naturally be among the principal beneficiaries of a sustained recovery in car buying.

* * *

Columbia Gas and Electric

Columbia Gas & Electric, owner of the world's greatest natural gas system, has called a special meeting of shareholders on November 6th, 1929, to approve an increase in the authorized common from ten to thirty million shares. Capitalization is being increased partly to provide for the payment of a 25% stock dividend next February. The proposed stock dividend distribution and the expansion in authorized common stock is likewise taken as an indication that the company proposes to push its policy of large scale expansion in the natural gas industry.

Public Service of New Jersey

Public Service Corporation of New Jersey, viewed as a logical and one of the most important links in any large scale grouping of eastern utilities under control of United Gas Improvement and the United Corporation, continues to show remarkable gains in gross and net income. August gross rose to 10.51 million dollars against 9.18 millions last year, while surplus after charges totaled 1.51 millions, compared with $695,686. For the twelve months ended August 31st, 1929, gross increased 10.83 million dollars over the same period a year ago and net income, after charges, jumped from 18.55 million dollars to 27.81 millions.

* * *

Another Increase in Capital

Stockholders of Electric Bond and Share are also being asked to approve an increase in capitalization at a meeting to be held October 9th. In this case, the proposal to increase the authorized common stock from 14.50 million shares to 23.50 millions is intended primarily to permit a consolidation of Electric Bond and Share with its affiliated company, Electric Investors, Inc. Eight shares of the former's common stock will be exchanged for each five shares of Electric Investors common while preferred stockholders in the latter company will be given an equal exchange of $6 preferred stocks.

* * *

Cities Service Co.

Following a special meeting of directors, Cities Service Co. announced a decision to offer holders of its common stock the privilege of purchasing additional shares. Terms of the offering are to be determined at a meeting of directors on October 10th, but present reports have it that the new stock will be offered at $40 a share in the ratio of one share for each ten now held.

EDITORIAL PAGE

Building Your Future Income

An Informative Department On Estate Building

Vision

OPPORTUNITY is often referred to as a specter whose duty it is to point the way to success and from whom everyone may expect at least one visit. This fallacious idea as embodied in the terse expression 'Opportunity knocks but once," has gained so much prominence that there are those among us who are prone to fold our hands and await some fortuitous event wearing the cloak of Opportunity which will magically transport us into the realm of realized hopes. Opportunity may come not once, but often and to many of us. To reap the benefits of its force, however, requires preparation.

Perhaps the greatest asset that one may have in preparing to embrace Opportunity is Vision. As a matter of fact Vision might be termed the mother of Opportunity. The executive head of the largest merchandising firm in the country, the man largely responsible for the outstanding success of his company, has credited ninety-five per cent of his achievement to Luck. Whether this is modesty or fact we do not know but we do know that this man conceived an idea and had the vision to give it tangible form. If luck was 95%, vision gave great potency to the remaining 5%.

Nor is this by any means an isolated example of the rewards of vision. That select group of investors and capitalists who years ago were able to visualize the remarkable growth and progress in store for this country have acquired huge fortunes. Vision was the foundation of the fabulous wealth acquired by Rockefeller, Morgan and Ford, to mention but several of the many men who had the ability to look ahead and proceed unswervingly toward a definite goal.

Opportunity has not changed its habits and still favors the man of vision. The Hoover committee on recent economic changes in the United States has declared: "We have the power to bring about exchange between the producing and consuming groups. We have communication to spread the influence of ideas. We have swift and dependable transportation. We have the sciences and arts to help us. We have a great national opportunity. We seem to have touched only the fringe of our potentialities." These conclusions emanating from so erudite a body and embodying the results of a careful survey should command the attention and consideration of all thoughtful persons seeking the benevolence of Opportunity.

It is not often that one is prevented from realizing his ambitions and consummating his hopes through the absence of Opportunity nor through neglect to equip himself with those qualities, foresight, judgment, ability and thrift. He may still be endowed with all of these talents and yet fall considerably short of his purpose, for knowledge and ability may be as naught if their possessor has no vision sufficiently keen to inspire the courage of his convictions.

What We Mean by "Making Money"

(A prize contest announcement)

People reputed to have money know that they will be called upon to answer a certain question many different times to many different people. The question is, "Do you want to make some money?" Invariably they answer, "Yes, of course! But——." And the BUT is the most important part of the answer.

"Making money" must mean more than merely making money to these people. It must represent something more than the gain of a few dollar signs or the possession of a few more dollars. They have the money. The point is what can they get for their money? How can they translate their wealth into comforts, happiness, security, economic protection and social position?

America is not "money mad." It is "money wise." Wealth is no longer related in any remote way with either miserly hoarding, or reckless speculation. To have wealth imposes the greater responsibility of wise investment and careful spending. Thus, the trend of thought is turned to Estate Building; a modern term that means conservation of wealth. The unusual interest that is displayed in Estate Building by people who already have wealth is bound to institutionalize American prosperity—for tomorrow, for the next year, for the next generation.

This is why we have chosen the interesting and timely subject of

Estate Building

for

The BYFI Prize Contest for 1929

The articles may cover actual experiences of readers in the accumulation of wealth or the methods they have employed to use their investable capital to particularly good advantage. They may be informative articles about Estate Building ideas, or new methods by authorities associated with banks, insurance companies, mortgage companies, building and loan associations or investment firms. They may be wholly fictitious articles related to money making or money saving topics, with the practical points drawn from the experiences of the authors.

Incidentally, there is another direct "money making" feature to this contest. Cash prizes will be paid and articles suitable for publication will be bought for this department as explained below. However, most of the articles will be written by those readers who will find it of true practical value to crystallize their ideas on Estate Building; or by those who would be gratified to see their own experiences unfolded on these pages for the value and the interest that they may be to others.

$100.00 First Prize **$50.00 Second Prize** **$25.00 Third Prize**

The award of these prizes will be governed by the following rules:

The Contest is open to all, whether or not you are a subscriber.

All manuscripts must be submitted in typewritten form, marked for the attention of Prize Contest Editor, The Magazine of Wall Street, 42 Broadway, New York City.

The manuscripts must be received at the above address, not later than Monday, November 25th.

Prizes will be awarded when the winners are announced in the December 14th Issue.

Articles which do not win a prize, but which are considered suitable for publication, will be paid for at regular rates, if and when they are published.

The articles will be judged by the Prize Contest Editor on the basis of practical value, originality of ideas and general interest.

No space limitations are imposed but brevity is a desirable quality.

A Financial Crisis that Taught the Value of Diversification

A Study of Various Types of Investment Mediums and Their Results Under Abnormal Conditions

By James B. Morman

THE primary purpose of investing one's wealth is to provide a larger income. The amount of this income from such investments constitutes their yield, but there are many other factors to consider, one important one being the additional safety that can be obtained through diversification.

Bank failures in Florida, and particularly of the two banks in our own town of Deland, brought vividly to my mind, the conviction that those who are laying the foundation of financial independence by investing their savings should always take into consideration the question of yield in connection with safety through diversification of investments. This principle applies both to the type of security and the kind of institution in which savings are invested.

The importance of diversified investments was recently thrust upon our town and vicinity with startling suddenness when our two banks closed their doors with practically no warning. The hard-earned funds of hundreds of families have been jeopardized with unfortunate consequences both at present and for the future. In many cases, where no financial reserve had been provided for sudden and unusual emergencies, real distress has resulted. The outlook is not promising. And yet our recent community banking experience has its very valuable lessons to investors of savings which I will now proceed to point out.

> *"Suppose all those individuals had been readers of* THE MAGAZINE OF WALL STREET *and had followed the advice so frequently given therein of diversifying their investments in such securities as Liberty Bonds, utility and railroad bonds, preferred stocks in well-established industrial, railroad and utility companies. Then, their risk of loss would have been greatly diminished while the safety and yield of their funds would have been greatly increased."*

Total Savings in Banks

Where business conditions are normal, loans conservatively made, and banks carefully managed, savings accounts in banks are generally regarded as fairly well safeguarded. While such investments are usually designated as "time" deposits—a bank having the privilege of not paying on demand as in the case of checking accounts—only in grave emergencies is this privilege ever exercised. As a rule a depositor may draw a part or the whole of his savings account on demand, and a small amount of money invested in this manner constitutes an excellent emergency fund.

The yield in income from this kind of investment may range from 3 to 4¼%. In communities where business and financial conditions are normal, the yield and safety of small savings accounts may continue indefinitely without causing any mental distress to investors. But where such conditions are abnormal, as they have been in Florida since the so-called "real estate boom" of three or four years ago, keeping all one's surplus funds in a savings account has proven a risky undertaking which is bound to result in financial loss to the depositors. This truth has been forced upon thousands of savings investors by the closing of banks in many parts of Florida, and it fell upon Deland like a thunderbolt out of the clear sky, both of the local institutions having about half of their deposits on a "savings" account basis, the balance being commercial accounts.

The preceding statement shows, then, that this community and outlying country district have savings invested in two banks totaling about a million and a half dollars, all of which are temporary unavailable to depositors and some part of which—perhaps a large part—will be a financial loss to them. I know some families whose total lifetime savings amounting to several thousand dollars are involved in this calamity. For the time being many are left practically penniless. Their financial condition is distressing with little prospects of improvement for a long time to come, both banks having gone into the hands of receivers. What amount depositors will ultimately receive and when they will receive it are exceedingly problematical under existing conditions.

Investments in Building and Loan Stock

But let this experience foreshadow an important lesson to those who are building up savings from income and investing them for the attainment of financial independence. The safety valve is diversification of investments. Suppose all those individuals had been readers of THE MAGAZINE OF WALL STREET and had followed the advice so frequently given therein of diversifying their investments in such securities as Liberty bonds, utility bonds, and preferred stock in well-established industrial, railroad and utility companies. Then, their risk of loss would have been greatly diminished while the safety and yield of their funds would have been greatly increased. A savings account is a very useful fund for temporary use and for emergencies, but it is a good policy to re-invest part of this fund as it accumulates in government bonds or other high-grade securities whose safety cannot be questioned and whose yield is usually as high as, if not higher than, the returns received on savings accounts in banks.

The importance of diversified investments can also be shown by the experience of those who have made large investments in building and loan certificates in Florida associations.

Since the land boom of a few years ago, new problems have come to mortgage loan companies. For the past three years there has been a reaction from the feverish real estate activity of that highly-inflated period, with the result that there has been a great deflation of real-estate values and a slowing down in amount of business transacted. Many borrowers bought homes on inflated prices, but have been unable to meet their payments promptly because of changing economic conditions which lowered their incomes. The result has been that some building and loan associations have lowered their rate of dividends on paid-up certificates, while others have not paid dividends to stockholders for two or three years.

The plan of monthly payments for a home is very attractive to families with small incomes from earnings; but the claim in a pamphlet which lies before me that a borrower will repay a loan of $1,000 with interest in nine years by the payment of $14.16 a month is rather illusionary. Notwithstanding the fact that the rate of payment for a home is constant, which permits of budgeting, and that the long-term amortization plan of repayment is a stimulant to thrift, the borrower is actually paying nearly 9% interest a year.

The particular attraction to investors was the 8% dividends being paid at the time on stock. To my knowledge some families put the bulk of their life savings into building and loan certificates, but they have received no returns thereon for the past two years. Some associations have not been able to pay off their certificates when presented for payment. To a slight extent the writer himself has been caught in this situation. A few years ago he took out some shares of paid-up stock in our local building and loan association. The year after the boom period, the association paid the original 8%; the next year it was reduced to 6%; while the current year it was reduced to 4%. On requesting what the prospect was for receiving payment on the stock if turned in for redemption, I received a letter from the president that this could not be done for lack of funds. This was before our two banks failed. Now the prospect of stock redemption at par soon is not very promising, because the association's borrowers also lack cash.

While the safety of real estate mortgage loans under normal conditions makes them an excellent investment, and while there is a certain amount of diversification because the ownership is divided among many estates, the investment of a large part or all of one's savings in the stock of any particular association makes the risk very great for the small investor as many persons in Florida have learned to their cost. If four-fifths of every thousand dollars invested in building and loan stock had been diversified into Liberty bonds or industrial, railroad and utility bonds or stocks, the safety of the investment would have been increased 80% at the prospective loss of income of only 2 or 3%. As it has turned out, however, in the case of many associations, the income from diversified investments would have been greater for investors instead of being only prospectively less.

Investments in Mortgage Companies

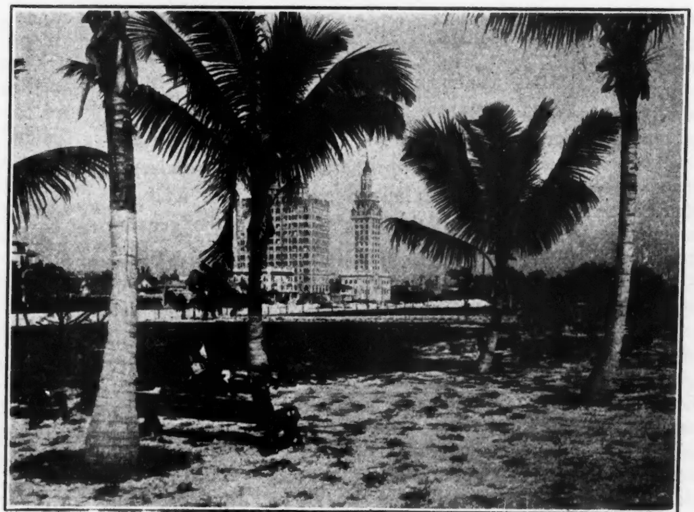
A type of organization closely akin to the building and loan association is the mortgage and acceptance company. The particular corporations that I personally had contact with specialized in mortgage loans on owner-occupied homes in well-developed sections of towns and cities of Florida. A monthly payment plan of amortizing the debt over a long period of time, such as is common with building and loan associations, is practiced by these companies. This was the attraction to borrowers; while that to investors was the promise of 8% dividends on paid-up shares of stock.

But the deflation of real estate in Florida has had its effect on this type of corporation also. The rate of interest paid by the borrower is on a par with that charged by building and loan associations. If a home were bought or the loan contracted when prices were inflated the cost of borrowing has been a heavy drain on income during these past years. In case of business depression or reduction of earnings a borrower has found it ever more difficult to meet his monthly payments and many have found it impossible to do so. The mortgage company soon felt the strain which is manifested by a reduction in the rate of dividends to stockholders or the passing of dividends altogether.

The payment of 8% dividends on stock attracted considerable sums of money from savings accounts in banks and other investment sources paying a much lower rate of interest. While this was a case of diversification of investment, it failed to take into consideration the important element of safety and prevailing economic conditions. Though 8% was paid for a short time, it did not last long. I have before me a statement of one local mortgage and acceptance corporation issued in June from which I quote the following paragraph:

"At a recent meeting of the board of directors, it was voted to pay dividends when declared semi-annually instead of quarterly as before, the next dividend-paying date being September of this year."

This statement was issued a month before our banks were closed which occurred on July 11th. Some of the stockholders feel that this indicates a lowering of the dividend rate or the passing of dividends altogether. With the closing of the banks the situation has darkened materially, and what the end of such investments will (Please turn to page 1034)



Ewing Galloway Photo

Florida's beautiful tropical climate made real estate attractive and furnished the income for many types of investment— all, however, lacking real diversification.

Some Lessons Learned in Making Stock Investments

A Valuable Experience in Building Up Sound Stock Investments

By Joseph Allen

PREVIOUS to the World War I had about completed what I thought should be done by everyone with some idea as to saving toward the future, by owning a home, having adequate life insurance and building and loan investments. Also I had managed to buy a few bonds, mostly in local issues in the metropolitan district. On my return home after discharge from the Army and taking stock in what securities I had on hand, I found that some had gone to the bad and others had benefited by the great changes which had taken place during that conflict.

I plunged into work, however, and was soon making more money in my profession than ever before and accumulating a surplus. Whether or not I had any idea of a set program I cannot say, but I began to buy bonds with my excess money and by talking over financial affairs with others better versed than I, was soon taking these bonds to my bank, borrowing money on them and buying more bonds. This, of course, was in the years when an exceedingly high rate of interest could be secured on high grade bonds.

Perhaps this was the beginning of whatever investment program I have that I may lay claim to, the gist of which is to keep myself "broke" by borrowing in advance to purchase securities. However, the time came when bonds were no longer the juicy fruit they had been. I found an increasing number of my high yield issues being called and replaced by those of lower interest rates. As time passed activities in stock securities became more and more evident and I was led to venture into that field.

In the beginning I had the usual experience, picking up small amounts of stock here and there, some high grade, some purely speculative and some which I never should have had anything to do with at all. The latter I can blame on three sources, i. e., promotional stock issues, high pressure salesmen who interviewed me and "hot tips" from well meaning friends. Fortunately for me my losses were fairly well taken care of by income from my profession, but I can assure you that the scars from the mental chastisement I gave myself for indulging in these foolish ventures will never be effaced.

I soon found out that investment without inquiry, investigation and advice from reliable sources paid nothing but zero marks on the score board. I was fortunate enough, in groping around for additional sources of information, however, to add THE MAGAZINE OF WALL STREET to my armamentarium and it indeed has been a tower of strength for me to lean on. I can never really repay it for the sound advice I have received from its columns and from its inquiry department.

As the years went on my high grade issues were paying me very well in dividends, stock rights and split-ups. They were also repaying me not only in a sense of security and comfort but affording me a pleasurable and profitable "hobby" for my spare time and, as you know, of late almost any of the most extremely well secured issues have been active enough to prevent any owner getting into a state of "ennui."

A Tribute From An Old Reader

"As a financial factor it (THE MAGAZINE OF WALL STREET) *alone has probably done more than any one can guess to help the public toward a better appreciation of the wonderful opportunities it has to participate in well secured enterprises and thus add to the general prosperity of the country. I am not writing this to curry favor but as one who believes he visualizes a force for betterment which may not be apparent on the surface."*

In answer to the question, then, for an investment program I can say that I am not particularly in favor of any hard and fast rules laid out in advance, for with the rapidity of change in the world of today, I am afraid that one would find himself more handicapped than helped by any cut and dried scheme. Any program must be flexible enough to permit of taking advantage of opportunities when presented. Education, inquiry, investigation and advice from reliable sources and subsequent action after due consideration will I believe in the end secure the best results. I would put the following axioms forward as aiding in the selection of investments:

Never buy securities which are not listed on the New York Stock Exchange. This exchange would not list them if they did not have some degree of merit and the factor of reasonably frequent reports of operations is very important.

Never buy any securities, either listed or unlisted, which are peddled to you by salesmen.

Keep your investments in securities of those companies which are committed to the habit of disseminating the freest information about themselves. Honest "big" business does not need to have any mysteries about its activities.

Keep your investments well in advance of yourself, i. e., keep yourself "broke" always with collaterally secured loans to pay on from your income during the active period of life. This in itself is a stimulator to make you reach out for more business in your own field. In other words, you cannot adopt this program and then lie down on your job. It won't do for a lazy man. The amount of loans as compared with investments I believe should be in the neighborhood of 10 per cent of the value of securities owned.

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The Married Man Wisely Considers His Insurance Problems

Readers with Family Responsibilities Seek Insurance for Protection

By Florence Provost Clarendon

Insurance Editor:

As a subscriber to your wonderful magazine, would appreciate any information that you can possibly give me. I am a young man of 26 and intend to be married before the end of this year. I would like to take out an insurance policy for either $2,500 or $5,000. Kindly let me know as to which is the best policy for me and about how much I would have to pay on either of these; also what insurance company you would suggest to me?—A. M. B.

We would suggest that you consider applying for a policy on the 30-Payment Life plan. This contract calls for premiums of very little in excess of those required for Ordinary Life policies—about $3 per $1,000 higher annually; and the limited payment contract has the advantage of a definitely limited premium paying period, larger cash, loan and surrender values and—if taken with a participating company—correspondingly larger dividends.

Under the 30-Payment Life policy you would contract to pay premiums only over that span of life when your income would, normally, be on the ascendant, and premiums would cease, leaving you with a paid-up policy in your 56th year—practically the prime of life.

In a participating company a policy for $5,000 on the 30-Payment plan would require an annual premium of approximately $123 at age 26, reducible by annual dividends; while on the non-participating form the annual cost would be about $92 per $5,000. On the participating policy dividends, in somewhat reduced amount, will continue to be paid annually after the premium paying period is completed till the policy becomes a claim.

We have made it a practice in this Department to abstain from offering preferential advice as to companies. Most of the well known "Old Line" companies have agencies in your city, and you should call at one or two of their offices and request the information along the lines you desire.

Providing for a Son

Insurance Editor:

I am a man in good health, 58 years old, and have a son I would like to provide an income for 10 years after my death. Also an endowment for myself at age 65. What companies issue such a policy? Or would it be better to take out two policies, one for his benefit and one as an endowment for myself?—J. B. M.

We would suggest that you apply for an Ordinary Life Policy for $5,000—or more—for the income you wish to provide for your son at your death. This policy would require at your present age of 58 an annual premium of about $263 for $5,000. You should designate in your application that proceeds are to be paid to the beneficiary in installments over a period of 10 years. If paid over 10 years, the monthly installments would be about $50, increased by interest.

To provide an income for yourself at age 65, you could of course take a Deferred Annuity by annual premiums up to that age. The cost for same when taken out at age 58 would be approximately $128 annually for an income for life after age 65 of $10 monthly. Under this contract there is no return of premiums in event of death.

Another course would be to divert into a savings account a regular amount during the next seven years, and then use the accumulated savings with interest to purchase an immediate annuity. At age 65 each $1,000 of purchase price would buy an annual income for the life of the annuitant of a little less than $110.

Problem of a Widower

Insurance Editor:

I am a widower with a daughter 20 years old. Are there any reasons why it would be advisable for her to take out any life insurance? If so, what kind of policy would you advise?—W. W. W.

You do not state whether your daughter is self-supporting, and thereby earning an income of her own. If she is, then there is a good reason for her taking life insurance—on the Endowment plan; because by this means she could through regular and systematic saving build up a fund for use later in life. There is a gentle compulsion, through regular periods for premium payments and the usual notices from the life company prior to each premium date which acts as a stimulus in building up a savings fund in this way. Moreover, the insured can protect a beneficiary, in event of her premature death prior to the maturity date. A 20-Year Endowment at her age (20) would call for an annual premium of about $47.50 per $1,000—this being on the participating basis, and reducible by annual dividends. A 30-Year Endowment—maturing, in your daughter's case—when the insured is 50, costs still less—about $30.70 per $1,000, participating. If she should marry her husband would presumably respect this evidence of her

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·SERVICE·SECTION·

ANSWERS TO INQUIRIES

SUBSCRIBERS—ATTENTION

The Personal Service Department enables you to adapt THE MAGAZINE OF WALL STREET to your personal problems. If you are a yearly subscriber, you are entitled to receive FREE OF CHARGE a reasonable number of PERSONAL REPLIES BY MAIL OR WIRE on any security in which you may be interested. The inquiries presented in each issue are only a few of the thousands currently received and replied to. The use of this personal inquiry service in conjunction with your subscription to the Magazine should help you to get hundreds or thousands of dollars of value from your $7.50 subscription.

Inquiries cannot be received or answered by telephone nor can personal interviews be granted. Inquiries from non-subscribers of course will not be answered.

Are You Sure of Your Broker?

We invite correspondence from readers desirous of ascertaining the status of brokers with whom they intend to do business. We make no charge for this service, as we recognize the importance of having our readers deal through reliable firms.

Subscribers wishing to avail themselves of the privileges of the Personal Service Department should be guided by the following:

1. ***Be Brief.***
2. ***Confine requests for an opinion to THREE SECURITIES ONLY.***
3. ***Special rates upon request to those requiring additional service.***
4. ***Write name and address plainly.***

CENTRAL ALLOY STEEL

What are the nearby prospects for Central Alloy common? Would you advise that I continue to hold 50 shares which show me a paper profit of over $500? I shall be guided by your counsel, for the many rumors about proposed mergers, dividend increases, new processes, etc., only tend to confuse my judgment—E. H. R., Miami, Fla.

Central Alloy Steel, ranking as the seventh largest steel producer, controls over 80% of the country's alloy steel business, operations extending from the conversion of native ore to finished steel, which is distributed under the trade name "Agathon." With Ludlum Steel, the company controls the American rights for the manufacture of nitralloy, a nitrated steel, particularly desirable in the manufacture of aeroplane and automobile motors, and which has recently been introduced to the building trade for finishing. In August announcement was made that a new alloy steel to be produced under the name of "Izett" was to be manufactured in the United States under Krupp patents exclusively by Central Alloy and it was reported that the company was perfecting a special processing equipment designed to allow production of stainless steel in a quantity sufficient for automobile demands and at an attractive price, all of which holds forth promise of making important contributions to future income. Reflecting increased demand for specialty and alloy steels, earnings in 1928 were of record proportions being equal to $2.92 a share, and by virtue of a high level of activity in the current year, income in the first six months equalled $2.29 a share against $1.46 a share in the same period of 1928. Definite developments relative to reported merger negotiations have been slow to materialize, but rumors in that connection will not down and it is possible that the same eventually will be consummated on a basis favorable to shareholders. All in all, while the stock does not present itself as an outstanding opportunity at existing quotations, in view of the company's favorable long term prospects, together with merger possibilities, we would counsel continued retention for the time being at least, awaiting further developments.

BEECH-NUT PACKING

I have read that Beech-Nut Packing Co. is slated to be merged with Gold Dust Corp. Would you consider this a favorable development for stockholders of the former company? My broker tells me that, in his judgment, Gold Dust Corp. is expanding too rapidly and I have been thinking of closing out the 200 shares of Beech-Nut stock which I hold before any consolidation takes place. What is your recommendation?—E. E. H., Rock Island, Ill.

Ranking as a prominent manufacturer and packer of food specialties, meats, vegetables, fruits, etc., as well as chewing gum and candies, results from operations of Beech-Nut Packing in 1928 were equal to $7.16 a share against $5.23 a share in the preceding year. While profits underwent a moderate increase in the first six months of this year, results in the second half year may be restricted by only average packs during the fall, present estimates of net income in the full 1929 year being placed at a figure to equal around $7 a share. However, on the basis of indicated earnings, the shares seem reasonably priced at existing levels, and by virtue of a strong cash and working capital position, some upward revision in dividends over the $3 a share annual rate could be comfortably supported. With the approval of officers of Beech-Nut Packing, Gold Dust Corp. recently purchased from United Cigar Stores 46,000 shares of Beech-Nut stock and while it is stated that no merger between the companies is contemplated at present, this gives Gold Dust another affiliation that will doubtless prove important in its program of

(Please turn to page 1050)

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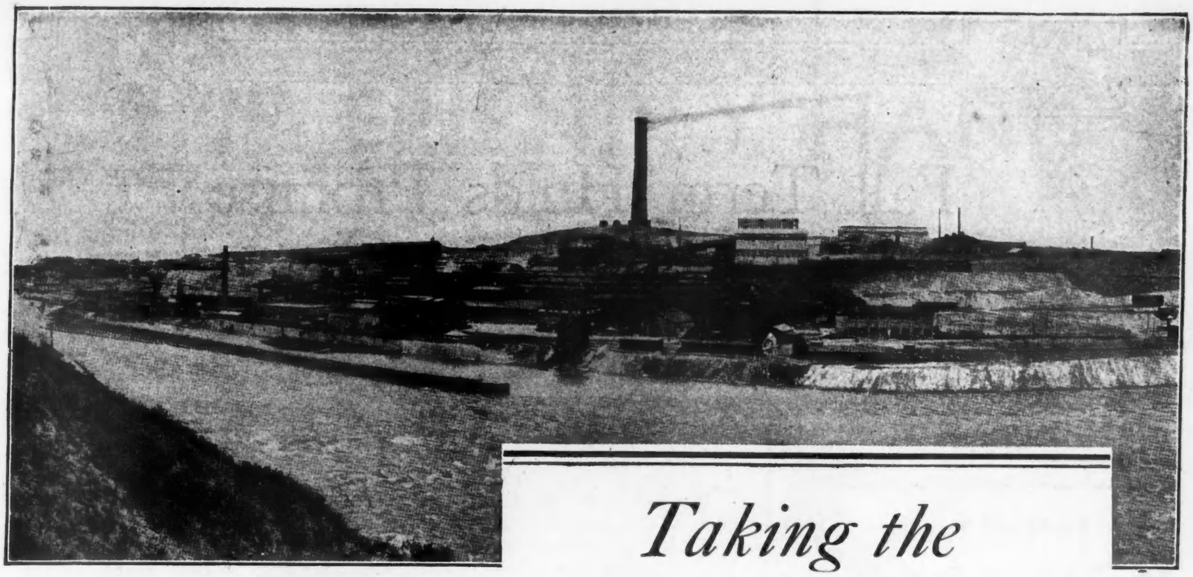
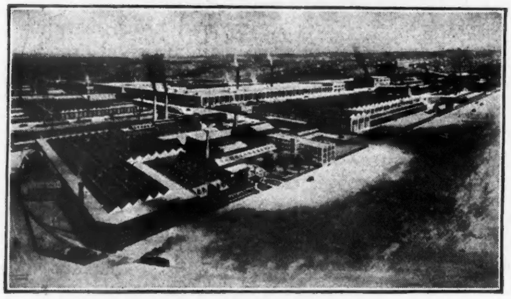


Anaconda Copper Mining Company's Great Falls, Mont., reduction works

Taking the
Broader View

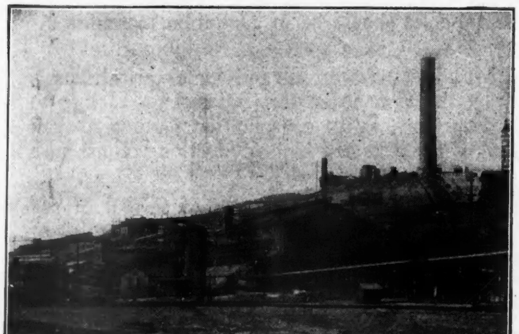


Branch at Waterbury, Conn., of American Brass Company, an Anaconda affiliate

INTEGRATED operations from raw material to finished product in the hands of consumers have contributed largely to the success of prominent American corporations. When an organization has its own mines, reduction and finishing plants and sales organization, economies are promoted and service to markets is soundly maintained.

Such a self-contained unit is the Anaconda Copper Mining Company. It owns or controls great ore reserves in North and South America, adequate smelting and refining facilities, the largest copper and brass manufacturing concern in the United States and a sales force spread over the world.

Substantial earning power created by the combination of these entities, under skilled management, commends the company's stock as an investment.



Anaconda's reduction plant at Anaconda, Mont.

THE NATIONAL CITY COMPANY

Head Office: 55 WALL STREET, NEW YORK

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Fall Term Holds Promise

Industry Continues Active Pace and With Prices Steady in Most Lines Earnings Are Generally Sustained

STEEL

Production Tapering

WITH backlogs the smallest they have been since August, 1928, and about 10% lower than they were this time last year, steel production is now largely dependent directly on the buying of consuming industries and a matter predictable only for the *near* future; for consumer buying is very much a hand-to-mouth affair with buyers assured of fairly rapid delivery and faced with no prospects of price advances.

The chief consuming industry, automobile, is requiring smaller amounts of steel in reflection of the downward production trend which is conceded to exist in that quarter. On the other hand, steel demand for rails and rail-

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COMMODITIES*

(See footnote for Grades and Units of Measure)

	1929 High	1929 Low	1929 Last
Steel (1)	$36.00	$33.00	$35.00
Pig Iron (2)	18.50	17.50	18.50
Copper (3)	0.23⅛	0.16¾	0.18
Petroleum (4)	1.45	1.20	1.45
Coal (5)	1.70	1.60	1.60
Cotton (6)	0.21½	0.18	0.18⅝
Wheat (7)	1.65⅝	1.24⅛	1.46⅛
Corn (8)	1.21¼	0.98¼	1.17¾
Hogs (9)	0.11¾	0.08⅞	0.10⅛
Steers (10)	17.25	14.25	17.25
Coffee (11)	0.18⅓	0.15¾	0.15¾
Rubber (12)	0.26⅛	0.18⅝	0.19⅛
Wool (13)	0.45	0.37	0.38
Tobacco (14)	0.14	0.14	0.14
Sugar (15)	0.04	0.02 1/16	0.03⅞
Sugar (16)	0.05⅛	0.04⅞	0.05⅜
Paper (17)	0.03¼	0.03⅛	0.03⅛
Lumber (18)	25.38	23.45	23.45

* Sept. 21, 1929.

(1) Open hearth billets, $ per ton; (2) Basic Valley, $ per ton; (3) Electrolytic, c. per pound; (4) Mid-Continent, 36°, $ per bbl.; (5) Pittsburgh, steam mine run, $ per ton; (6) Spot, New York, c. per pound; (7) No. 2 red, New York, $ per bushel; (8) No. 2 Yellow, New York, $ per bushel; (9) Light, Chicago, c. per pound; (10) Top, Heavies, Chicago, c. per lb.; (11) Rio, No. 7, spot, c. per lb.; (12) First Latex crepe, c. per lb.; (13) Ohio, Delaine, unwashed, c. per lb.; (14) Medium, Burley, Kentucky, c. per lb.; (15) Raw Cubas, 96° Full Duty, c. per lb.; (16) Refined, c. per lb.; (17) Newsprint per carload roll, c. per lb.; (18) Yellow pine boards, f. o. b. $ per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—With rail demand active and Fall buying becoming heavier, it now appears that the low point of demand has passed without affecting prices nor disrupting buying to any great extent. Consequently, steel manufacturers are expected to earn sizable profits during the coming period.

METALS—Demand for copper has quieted down after the recent period of heavy buying and producers are busy filling accumulated orders which are said to be large enough to occupy production until the next buying period. With prices steady and profit margins wide, principal producers are in a position to maintain good profits.

PETROLEUM—Production is not being curtailed as much, nor as rapidly, as it should be in view of the Fall decrease in consumption, which has already started, and the present finds stocks increasing and gasoline prices inclined to weakness. While the long range outlook holds encouragement, the near term prospect is less promising.

BUILDING—Building contracts awarded in August as reported by F. W. Dodge Corp. decreased 25% from July and fell 5% under the total for August, 1928. This decline is chiefly in speculative residential building for heavy construction is holding up well.

LEATHER—There are indications that proportionately large shoe sales will follow the heavy production of recent months, which may well offset narrowed profit margins on footwear. Hence, the more favorably situated companies should be in a position to report increased earnings.

ELECTRICAL EQUIPMENT—Insistent demand for electrical equipment of all kinds has kept manufacturers operating at close to capacity levels all Summer. With consumption gaining as Fall advances, the outlook is for sustained high production volume with earnings gains in prospect.

PAINTS AND VARNISH—The rumored merger of several of the largest paint and varnish companies would have the chief effect of materially cutting production and distribution costs; thus reducing ultimate consumer price and at the same time enhancing earnings and improving the present favorable profit positions.

RAILROADS—With revenue freight car loadings climbing to new peaks and with prospects for unusually heavy freight distribution this Fall, railroads generally face a period of increased profits, except possibly those roads which depend chiefly on agricultural movements in the West and Northwest.

AMUSEMENTS—With strong merger rumors and rapidly growing theatre attendance as a background, the motion picture industry seems to be going through a period of increasing earnings. Additional developments of talking, colored and three dimensional pictures may further enhance the value of affected companies.

SUMMARY—With employment sustained and industry in general continuing its active pace, the outlook for the near term seems to preclude any anxiety.

E. I. duPont de Nemours & Co., Inc.

(*Continued from page* 1021)

share, compared with $3.23 per share in the same period of 1928 and on this basis the payment of an extra dividend of 50 cents in July was fully justified.

With General Motors contributing over 50% of the company's net income, in effect therefore an investment in the common shares of the E. I. duPont de Nemours Co., not only gives the holder an equity in one of the country's oldest and most progressive chemical companies but in the undisputed leader of the automobile industry, as well. The active hand of duPont interests in the management of General Motors is to be seen in the steady expansion of that company into other fields of activity, including electric refrigeration and aviation which have excellent promise as a source of considerable income to the company in the future. More recently duPont interests have made a substantial investment in the United States Rubber Co., and are now actively engaged in revamping and directing the affairs of that company. This affiliation may quite possibly have a very salutary effect upon the future earnings of both companies.

Admittedly duPont common shares do not offer much inducement as an income producing medium, the current yield being but slightly more than 2%. On the other hand, for the investor seeking a high grade equity issue representing established earning power, skillful management, with potentialities for even further expansion and consequent market appreciation, duPont common stock meets these requirements in a very satisfactory manner.

A Financial Crisis That Taught the Value of Diversification

(*Continued from page* 1027)

be time alone will completely disclose.

In my judgment the most important lesson to be learned from these investment experiences of the past few years is the great educational work that needs to be done among those who are accumulating savings from income with a view to attaining financial independence during the period of their greatest earning power. In this educational field the Building Your Future Income Department has a paramount place. If its sound advice should come into the hands of every small investor and be carefully followed, it would prove of untold financial benefit to tens of thousands of families throughout the United States.

Insurance Department

(*Continued from page* 1029)

thrifty disposition, and thereafter finance the payment of premiums till maturity.

If your daughter is dependent upon you for support, we assume that you are carrying insurance on your own life for her protection in event of your death.

Another Young Married Man

Insurance Editor:

I am 23 years of age, married, salary $2,400 a year; health good. At present time I carry $1,000 20-pay life policy. I am thinking of taking $5,000 worth of life insurance, which I think will take care of my needs for the next few years. But am at a loss as to what kind of a policy to buy. I am of a saving nature. I have no accident insurance, save a membership in the T. P. A. Kindly advise.—I. N.

A young married man in your circumstances should take advantage of his opportunity to increase his life insurance protection when in good health and at an age when premium rates are attractively low.

We would suggest that you consider applying for a policy on the 30-Payment Life plan. Premiums on such a policy when taken out at age 23 would only run over that period of life when the income would normally be rising to its apex, and would cease when the insured is practically in the prime of life.

You should request that the Accidental Death Benefit and the Disability Benefit be included in this new policy, and you should make the policy for $10,000 instead of $5,000 if you can see your way clear to such commitment—remembering Lord Bacon's remark that "a married man has given hostages to fortune," and should therefore take life insurance not only till it pinches, but till it *hurts* in order to protect his dependents in event of his untimely death.

Missouri-Kansas-Texas

(*Continued from page* 1013)

ments to the road, replacing 113 miles of rail, installing many new bridges and renewing old ones, replacing open deck trestles with concrete trestles and culverts, improving the yards at Houston, and various other improvements.

As competition for traffic is exceptionally keen in the Southwest, it is the expressed intention of the Katy management to put the property on the highest possible standard in order to take care of the demands made upon it. While maintenance expenditures were fairly heavy last year, it may be expected that these will increase rather than decrease. It is estimated that it will take about $12,000,000 to bring the Katy property up to a high state of efficiency and that it will take about two years to do this work. This is a factor to be considered in the purchase of the common shares, as it will probably mean that dividend payments on these shares will be postponed until the maintenance program nears completion.

The operating efficiency of the Katy is very satisfactory and is of considerable help in increasing the net income. Although the road hauls a fairly large number of empty cars in both directions, namely 40%, the average revenue train load has shown a steady increase for the past five years until it is now up to 679 tons, and during the same period the length of haul has increased until it is now 274 miles. Freight traffic density has increased from 830,210 tons in 1923 to 1,140,000 tons in 1928. Naturally with these outstanding improvements in the operation of the road, the operating ratio would be reduced as it was from 77% in 1923 to 68.85% last year.

Since early 1927 two attempts have been made by L. F. Loree to include the Missouri-Kansas-Texas system in a combination of railroad lines in the Southwestern states. In furtherance of these merger plans, the Kansas City Southern had purchased large blocks of stocks of Katy and Cotton Belt. The first plan contemplated the consolidation of Kansas City Southern with Katy and St. Louis Southwestern. This proposal was rejected by the Interstate Commerce Commission in May, 1927, on the grounds that the financial structure of the Kansas City Southern was not suitable as a basis for a unified system.

In March, 1928, a new plan was filed with the Interstate Commerce Commission under which the Katy was to acquire control of the Kansas City Southern and Cotton Belt, thereby becoming the dominant company. This proposal was withdrawn from the Commission last October with the explanation that it seemed doubtful whether the exchange of stock could be made on the basis desired.

In the meantime the Cotton Belt and Katy stockholdings acquired by the Kansas City Southern in anticipation of the merger and the Katy's stock interest in the Cotton Belt became the subject of anti-trust cases which were successfully prosecuted by the Interstate Commerce Commission last July. These holdings have now been disposed

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New York Stock Exchange

RAILS

	1927		1928		1929		Last Sale 9/25/29	Div'd $ Per Share
	High	Low	High	Low	High	Low		
A								
Atchison	200	161⅜	204	182⅝	298⅝	195½	273½	10
Do Pfd.	106¾	99⅜	108⅛	102½	104¼	99	101⅝	5
Atlantic Coast Line	205½	174⅞	191½	157⅛	209½	169	191¼	‡10
B								
Baltimore & Ohio	125	106⅝	125⅝	103¾	145⅛	115⅛	135⅜	7
Do Pfd.	83	73¼	85	77	80⅛	75	†79	..
Brooklyn-Manhattan Transit	70⅞	53	77¾	53⅜	81⅞	57½	64	4
Do Pfd.	88	78⅛	95⅝	82	92⅞	79	83	6
C								
Canadian Pacific	219	165	253	195½	265⅞	218	223¾	10
Chesapeake & Ohio	218⅛	151¾	218¾	175⅛	279¾	195	260	10
C. M. & St. Paul & Pacific	19⅜	9	40½	22¼	44⅞	27¾	38⅝	..
Do Pfd.	37½	..	59⅝	37	68⅝	46⅛	61⅞	..
Chicago & Northwestern	97½	78⅝	94¼	78	108½	80¼	97½	4
Chicago, Rock Is. & Pacific	116	68½	139⅝	106	143½	115	133	7
Do 7% Pfd.	111¾	102⅜	111⅛	105	108¼	105⅛	106	7
Do 6% Pfd.	104	95¼	105	99½	102⅞	98½	100⅛	6
D								
Delaware & Hudson	230	171⅛	226	163¼	226	182	212	9
Delaware, Lack. & Western	173	130⅛	150	125¼	169⅜	120¼	154¼	‡7
E								
Erie R. R.	69¾	39½	72⅛	48⅜	93½	64	84⅝	..
Do 1st Pfd.	66¼	52⅝	63⅞	50	66¼	57	61	4
Do 2nd Pfd.	64½	49	62	49¼	63⅞	56	59	4
G								
Great Northern Pfd.	103⅝	79⅝	114⅜	93½	128¼	101	116⅛	5
H								
Hudson & Manhattan	65⅞	40½	73⅛	50⅛	58¼	34½	52	2½
I								
Illinois Central	139⅜	121⅛	148⅜	131⅜	153½	132½	140⅛	7
Interborough Rap. Transit	52⅛	30½	62	29	58⅜	19⅝	30⅜	..
K								
Kansas City Southern	70¼	41¼	95	43	108⅞	78	98¼	5
Do Pfd.	73½	64⅞	77	66⅛	70½	63⅛	†67	4
L								
Lehigh Valley	137½	88½	116	84⅛	102¼	77¾	86¾	3½
Louisville & Nashville	159⅛	128⅝	159½	139⅝	154¾	138½	149	7
M								
Mo., Kansas & Texas	56½	31½	58	30⅛	65¾	42½	53¾	..
Do Pfd.	109⅛	95¾	109	101⅛	107½	102	‡103½	..
Missouri Pacific	62	37⅞	76¼	41⅞	101⅜	62½	89⅛	..
Do Pfd.	118⅝	90⅛	126⅞	105	147	120	136½	5
N								
New York Central	171½	137⅛	196⅛	156	256½	178½	232¾	8
N. Y., Chic. & St. Louis	240⅛	110	146	121¼	192⅜	128⅛	178½	6
N. Y., N. H. & Hartford	63¼	41⅝	82¾	54⅝	126½	80⅞	122	5
N. Y., Ontario & Western	41¾	23¼	39	24	33	23	23⅛	..
Norfolk & Western	202	156	198⅛	175	290	191	267½	‡10
Northern Pacific	102⅛	78	118	92⅝	118⅞	95½	105¼	5
P								
Pennsylvania	68	56⅝	76⅞	61⅞	110	72½	100	4
Pere Marquette	140½	114⅛	154	124⅞	260	148	219½	‡10
Pittsburgh & W. Va.	174	122⅛	163	121¼	148¾	125⅝	†138	6
R								
Reading	123¾	94	119⅝	94¼	147¾	101½	127⅜	4
Do 1st Pfd.	43½	40½	46	41½	50	41½	†43	2
Do 2nd Pfd.	50	43¾	59⅞	44	60¾	43⅝	†48	2
S								
St. Louis-San Fran.	117¼	100¾	122	109	133¾	109½	127	8
St. Louis-Southwestern	93	61	124⅛	67½	115¾	82	91⅛	..
Seaboard Air Line	41¼	28⅛	30½	11⅝	21¾	12	16¼	..
Do Pfd.	45⅜	32⅛	38	17	35½	16¼	33⅝	..
Southern Pacific	126⅞	106¼	131¼	117⅝	157½	124	145¼	6
Southern Railway	149	119	165	139⅛	162½	138	156	8
Do Pfd.	101⅛	94	102¼	96⅝	99	93	96⅝	5
T								
Texas & Pacific	103⅞	53⅞	194⅝	99½	181	150	150	5
U								
Union Pacific	197¾	159⅛	224⅞	186½	297⅝	209	275	10
Do Pfd.	85¾	77	87⅛	82⅛	85½	80⅛	83	4
W								
Wabash	81	40½	96¼	51	81⅜	60	66⅝	..
Do Pfd. A	101	76	102	88⅛	104⅞	88¼	90	5
Do Pfd. B	98	65	99⅛	87	91	79	†81	..
Western Maryland	67⅞	13¾	54⅜	31¾	54	32½	40	..
Do 2nd Pfd.	67½	23	54⅞	33½	53½	38½	†38	..
Western Pacific	47⅛	25⅛	38⅛	28¼	41⅞	32	34	..
Do Pfd.	76⅜	55	62⅛	52½	67¾	56	60⅛	..

INDUSTRIALS and MISCELLANEOUS

	1927 High	1927 Low	1928 High	1928 Low	1929 High	1929 Low	Last Sale 9/25/29	Div'd $ Per Share
A								
Abitibi Power & Paper	150¼	83	85	36¼	57⅞	38⅛	51⅞	..
Abraham & Straus	118¾	62¼	142	90	159⅛	101	†110	..
Advance Rumely	15¾	7⅝	65	11	104⅞	15	18¼	..
Air Reduction, Inc.	199⅛	134⅛	99⅝	59	218⅞	95⅛	203⅛	‡4½
Ajax Rubber, Inc.	13¾	7½	14⅜	7⅛	11¼	3½	3½	..
Allied Chemical & Dye	169¼	131	252¾	146	354¾	241	323⅛	6
Allis Chalmers Mfg.	118¾	88	200	115⅛	330	166	289½	7
Amer. Agricultural Chem.	21½	8⅛	26	15⅝	23⅝	10⅛	10⅛	..
Amer. Bank Note	98	41	159	74⅜	155	110	145	‡3
Amer. Bosch Magneto	26¾	13	44⅝	15⅜	76⅛	40⅛	70⅝	..
Amer. Brake Shoe & Fdy	46	35½	49⅛	39⅞	62	45	57¼	2.40
American Can	77⅝	43⅝	117⅛	70⅛	184½	107¾	170¾	‡4
Amer. Car & Fdy	111	95	111⅛	88¼	106⅛	92	97	6
Amer. & Foreign Power	81	18⅞	85	22⅝	199¼	75¼	181½	..
American Ice	32	25¾	46⅝	28	54	38	48¼	‡3
Amer. International Corp	72⅜	37	150	71	96¾	52⅛	88	2
Amer. Metal Co., Ltd	49⅜	36⅛	63⅜	39	81¾	50	73½	3
Amer. Power & Lt.	73⅜	54	98	62¼	175¾	81⅛	156	1
Amer. Radiator	147⅞	110⅛	191⅛	130⅛	55⅝	40⅛	49	1½
Amer. Safety Razor	64⅞	42	74⅞	56	74¾	61	65¾	‡5
Amer. Smelting & Refining	188⅜	132⅝	293	169	130⅛	93⅛	114¾	4

Price Range of Active Stocks

INDUSTRIALS and MISCELLANEOUS—*(Continued)*

	1927 High	1927 Low	1928 High	1928 Low	1929 High	1929 Low	Last Sale 9/25/29	Div'd $ Per Share
A								
Amer. Steel Foundries	72¾	41⅛	70⅝	50⅛	79⅞	56	59¾	3
Amer. Sugar Refining	95¾	65¼	93⅛	55	94¾	71⅛	78⅛	5
Amer. Tel. & Tel.	185⅛	149¼	211	172	310¼	193¼	292½	9
Amer. Tobacco Com.	189	120	184⅝	152	205	160	173⅛	8
Amer. Type Founders	146	119⅞	142¼	109⅞	181	136⅛	166	8
Amer. Water Works & Elec.	72⅛	46	76⅛	52	194	67¼	170	1
American Woolen	33⅝	16⅛	32⅝	14	27⅞	15	16⅛	..
Amer. Zinc, Lead & Smelt	10¼	5¾	57	6⅝	49¼	19⅛	21	..
Anaconda Copper Mining	60⅛	41¼	120¼	54	140	99	122½	7
Armour of Ill. Cl. A	15⅞	8¼	23⅛	11¼	18⅝	10⅛	10¾	..
Do Cl. B	9⅛	5	13⅛	6⅝	10¼	5½	6⅛	..
Arnold Constable Corp.	55⅛	21	51¾	35¼	40⅞	19	25⅛	..
Assoc. Dry Goods	53⅝	39⅛	75⅛	40⅛	70¾	43	52	2½
Atlantic, Gulf & W. I. S.S. Line	43⅛	30⅝	59⅞	37⅛	79⅞	32⅛	77⅞	..
Atlantic Refining	131⅜	104	66⅛	50	77⅞	53⅛	59⅛	‡2
Austin, Nichols & Co.	10⅛	4⅛	9¼	4⅜	11⅜	5¼	8¾	..
B								
Baldwin Loco. Works	265¾	143⅛	285	235	66⅝	58⅝	60¼	..
Barnsdall Corp. Cl. A	35⅛	20¾	53	20	49⅛	33⅛	34	‡2¼
Beech Nut Packing	74¼	50¼	101¼	70⅜	101	73	†84	3
Bethlehem Steel Corp.	66½	43¾	86⅝	51⅞	140¾	82⅛	119¾	6
Borden Company	169	167½	187	152	100⅛	83⅛	88½	3
Briggs Mfg.	36⅝	19⅛	63⅝	21⅛	63⅛	25	27	..
Bucyrus-Erie Co.	31	21½	48¾	24⅛	42¾	25⅛	32⅞	1
Burns Bros. new Cl. A Com.	125¾	85⅛	127	93⅛	127	94	95	8
Do new Cl. B Com.	34¾	16¼	43⅜	15⅞	39	22⅝	†29¾	..
Byers & Co. (A. M.)	102¾	42	206¾	90⅛	192⅞	120¼	158	..
C								
California Packing	79	60⅛	82⅝	68⅛	84⅞	72⅛	78¼	4
Calumet & Arizona Mining	123½	61⅛	133	89	136¾	123	125⅛	10
Calumet & Hecla	24¾	14¼	47⅜	20⅛	61⅞	36⅝	42⅛	4
Canada Dry Ginger Ale	60⅛	36	86½	54⅞	98¾	78	88	5
Cerro de Pasco Copper	72½	58	119	58⅛	120	88⅝	93⅜	6
Chile Copper	44⅜	33⅛	74⅞	37⅜	127½	71⅜	†92	3½
Chrysler Corp.	63½	38⅛	140⅛	54¾	135	61½	62⅛	3
Coca Cola Co.	199½	96½	180⅛	127	154½	120⅝	146	4
Collins & Aikman	113⅜	86	111¾	44⅛	72¼	35	39⅜	..
Colorado Fuel & Iron	96⅜	42⅝	84⅛	52½	78½	56	65	..
Columbian Carbon, V. T. C.	101¼	66⅞	134¾	79	269¾	121¼	269¾	‡4¾
Colum. Gas & Elec.	98¾	82⅞	140⅞	89⅛	140	53½	138	2
Commercial Credit	24½	14	71	21	62⅝	43	49	2
Commonwealth Power	78¾	48⅝	110⅛	62¼	246	107¼	217	4
Congoleum-Nairn, Inc.	29¾	17¼	81½	22	35¾	19½	24	..
Congress Cigar	88½	47	87¼	67	92⅝	67	68¾	‡5½
Consolidated Gas of N. Y.	125¾	94	170¼	74	183¼	95½	162¾	3
Continental Baking Cl. A	74⅞	33½	53⅛	26⅛	90	47⅛	73¾	..
Do Cl. B	10¼	4	9⅜	3¾	15¼	8⅛	11⅜	..
Continental Can, Inc.	86⅞	58¾	128⅞	53	92	60	87¾	2½
Continental Motors	13¾	8⅞	20½	10	28⅜	12¾	12¾	.80
Corn Products Refining	68	46⅞	94	64⅜	118¾	82	113⅛	‡3½
Crucible Steel of Amer.	96¾	76⅛	93	69¼	121¾	85	107	5
Cuba Cane Sugar	10¾	4⅞	7⅛	4⅜	5½	¾	1¼	..
Cuban-Amer. Sugar	26½	18⅞	24¼	15⅝	17	11	12⅛	..
Cudahy Packing	58¾	43½	78¼	54	67⅞	49	50	4
Curtiss Wright	..	..	..	..	30⅛	19	20¼	..
Cuyamel Fruit	55½	30	63	49	108	63	105	..
D								
Davison Chemical	48⅛	26¼	68¾	34⅝	69⅛	42⅞	53	..
Drug, Inc.	..	..	120⅛	80	126⅛	105	113¾	4
E								
Eastman Kodak Co.	175¼	126¼	194¼	163	227⅜	168	215¼	‡8
Eaton Axle & Spring	29¾	21¼	68⅛	26	76¾	56	57⅝	3
E. I. du Pont de Nemours	343⅞	168	503	310	231	155¾	200	‡4½
Elec. Power & Light	32⅝	16⅛	49⅝	28¾	86⅝	43⅛	77¾	1
Elec. Storage Battery	79½	63¼	91⅛	69	92⅞	77	89	5
Endicott-Johnson Corp.	81¼	64¾	85	74¾	83⅜	57⅝	63	5
Engineers Pub. Service	39⅝	21¾	51	33	79⅝	47	69⅞	1
F								
Federal Light & Traction	47	37½	71	42	109	68⅛	89	1½
Fisk Rubber	20	14¾	17¾	8⅞	20⅛	6¼	7¼	..
Fleischmann Co.	71⅛	46⅛	89⅝	65	109⅝	65⅛	100	‡4
Fox Film Cl. A	85½	50	119⅝	72	105⅝	80¾	101⅛	4
Freeport Texas Co.	106⅛	34¼	109¼	43	54⅞	87¾	44	4
G								
General Amer. Tank Car	64⅜	46	101	60⅞	119⅛	81	116¼	4
General Asphalt	96¾	65	94⅞	68	94¾	61	82⅛	..
General Electric	146⅝	81	221⅛	124	403	219	359⅞	‡6
General Foods Corp.	126⅛	92⅝	136½	61⅝	81¾	62¾	65½	3
General Motors Corp.	141	113¼	224¾	130	91⅝	66¼	69⅞	‡3.30
General Railway Signal	153¼	82⅛	123⅝	84¼	126½	93½	116½	5
Gold Dust Corp.	78¾	42	143¼	71	82	53⅛	64	2½
Goodrich Co. (B. F.)	96½	42¾	109¼	68½	105¾	70	71⅛	4
Goodyear Tire & Rubber	69⅝	48⅝	140	45⅛	154½	103	105¼	5
Graham-Paige Motors	..	..	61¼	16¾	54	18	18½	..
Granby Consol., Min., Smelt. & Pr.	45	31⅛	93	39⅛	102⅞	62½	87	8
Great Western Sugar	44⅝	35⅛	38½	31	44	32¾	37½	2.80
Greene Cananea Copper	151½	29¼	177¼	89⅝	200½	136⅛	175	8
Gulf States Steel	64	40	73⅞	51	79	55¼	66⅝	4
H								
Hershey Chocolate	40¼	37⅞	72½	30¾	135⅛	64	129⅞	..
Houston Oil of Texas Tem. Ctfs	175	60⅛	167	79	109	68½	92⅝	..
Hudson Motor Car	91⅛	48¼	99⅞	75	93½	75⅛	79¼	5
Hupp Motor Car	36¼	16	84	29	82	38½	42⅞	2
I								
Inland Steel	62⅝	41	80	46	113	78⅛	98	3½
Inspiration Consol. Copper	25⅛	12⅛	48⅞	18	66¾	38⅛	43	4
Inter. Business Machines	119¾	53⅛	166⅝	114	246½	149⅜	230	5
Inter. Cement	65⅝	45¼	94⅞	56	102¾	66⅝	66¾	4
Inter. Comb. Eng. Corp.	64	40⅛	80	45¼	103⅛	54½	62¾	2
Inter. Harvester	255⅝	135⅝	97⅞	80	142	92	122⅝	..
Inter. Mercantile Marine	8¾	3½	7⅜	3⅜	36½	26½	33	..
Inter. Nickel	89½	38¼	269½	73⅝	72¾	40½	55⅞	1
Inter. Paper	81½	39⅛	86¾	50	83	57⅛	†60	..
Inter. Tel. & Tel.	156⅞	122¼	201	139½	149¼	78	129⅝	2
J								
Johns-Manville	126	55½	202	96¼	242¾	152½	203	3

New York Stock Exchange Price Range of Active Stocks

INDIVIDUALS and MISCELLANEOUS—*(Continued)*

	1927		1928		1929		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	9/25/29	Share
K								
Kelly-Springfield Tire	33¼	9½	25½	19¼	24	7¾	8½	..
Kennecott Copper	90⅝	60	156	80⅛	104⅞	77⅝	84⅞	5
Kresge Co. (S. S.)	77¼	45⅝	91⅜	65	57⅛	44⅛	50⅞	1.60
Kroger Grocery & Baking	145	119	132¼	73¼	122½	75½	91⅜	1
L								
Lehn & Fink	43	32⅝	64⅞	38	68½	40	45½	3
Liggett & Myers Tob.	128	87½	122½	83⅛	105⅛	81⅛	89⅜	‡5
Lima Loco. Works	76⅝	49	65⅞	38	57¾	42¾	49¾	..
Loew's, Inc.	63⅝	48⅞	77	49⅝	84⅛	48½	65⅛	2
Loose-Wiles Biscuit	57¼	35½	88⅜	44¼	88⅜	56	76⅞	2.60
Lorillard	47⅝	28½	46⅞	23¾	31½	20	22¼	..
M								
Mack Truck, Inc.	118¾	88⅛	110	83	114¾	91	98	6
Magma Copper	58⅜	29½	75	43¾	82½	60	70	5
May Dept. Stores	90⅝	66¾	113⅛	75	108½	73½	84½	4
McKeesport Tin Plate	..	..	78⅝	63½	82	62½	69¾	4
Mexican Seaboard Oil	9¼	3	73	4⅝	69⅜	21¾	27⅞	..
Miami Copper	20¾	13⅛	33	17¾	54½	30⅛	42	4
Mont. Ward & Co.	121½	60⅜	156⅛	115¼	156⅞	99	124½	2½
Murray Body	43	16¼	124¼	21⅛	100⅞	60	60¾	3
N								
Nash Motor Co.	101⅞	60¼	112	80¼	118⅞	77⅝	79¼	6
National Biscuit	187	94¾	195¼	159½	216¾	166½	201	‡7½
National Cash Reg.	51⅝	39⅞	104¾	47¼	148¾	96	127¼	‡4
National Dairy Prod.	68⅞	59¼	133⅛	64½	86½	62⅛	78	1½
National Enameling & Stamp.	35⅜	19¼	57⅜	23¼	62¼	43	†50	2
National Lead	202¾	*95	136	115	194¾	132	176¼	5
National Power & Light	26⅜	19¼	46⅝	21⅞	71¾	42¼	66⅞	1
Nevada Consol. Copper	20⅝	12¾	42⅝	17¾	62⅞	39¾	45⅞	3
N. Y. Air Brake	50	39¼	50½	39⅞	49¾	41½	†43½	3
North American Co.	64½	45⅝	97	58⅝	186¾	90⅝	168⅝	§10%
O								
Otis Steel	12½	7¼	40⅛	10⅛	52¼	37	45¼	2½
P								
Packard Motor Car	62	33¾	163	56⅛	32⅛	26⅝	28	.30
Pan-American Pet. & Trans.	65⅞	40⅛	55⅛	38⅛	69	40¼	62¾	..
Paramount Famous Lasky	115⅝	92	56⅝	47¼	74⅛	55⅛	73¼	3
Phila. & Reading C. & I.	47⅝	37⅝	39¾	27⅝	34	17⅝	28½	..
Phillips Petroleum	60¼	36¼	53⅞	35⅛	47	35	38½	1½
Pierce-Arrow Cl, A	23⅝	9½	30⅞	18¼	37⅞	27½	31½	..
Pillsbury Flour Mills	37½	30⅞	58⅞	32¾	63⅞	39¼	48	‡2½
Pittsburgh Coal of Penna.	74½	32¾	78⅞	36⅛	83¾	54⅛	76⅛	..
Pressed Steel Car	73¼	36⅛	33⅛	18	25⅜	15	16¼	..
Public Service of N. J.	46⅞	32	83⅛	41½	137¾	75	128½	2.60
Pullman, Inc.	84¾	73¾	94	77⅞	96¼	78	91⅝	4
Pure Oil	33½	25	31¼	19	30⅝	23¼	26⅝	1½
R								
Radio Corp. of America	101	41⅛	420	85¼	114¾	68¼	89⅞	..
Remington-Rand	47¼	20½	36⅛	22⅛	51¼	28	47	..
Reo Motor Car	26⅞	25½	35⅛	22⅛	31⅞	19½	19⅛	1.60
Republic Iron & Steel	75⅝	53	94½	49⅛	146¼	79¼	136½	4
Reynolds (R. J.) Tob. Cl. B.	162	98⅛	165½	126	66	53	55	2.40
Richfield Oil of Calif.	28⅝	25⅜	50	23⅛	49⅝	38⅞	40⅛	2
S								
Savage Arms Corp	72½	43½	51	36¼	51⅞	38	39½	2
Schulte Retail Stores	57	47	67⅛	35⅝	41½	16⅝	17¼	..
Sears, Roebuck & Co.	91½	51	197⅛	82⅛	181	139¾	161½	2½
Shell Union Oil	31¾	24⅝	39⅝	23¼	31¾	25	26⅞	1.40
Simmons Co.	64¾	33½	101⅜	55¾	187	75	183	3
Sinclair Consol. Oil Corp.	22¾	15	46¾	17⅝	45	31½	35½	‡2½
Skelly Oil Corp.	37¾	24½	42⅝	25	46½	32⅞	40⅜	2
Spicer Mfg. Co.	28⅞	20½	51⅝	23⅛	66¾	45	55⅞	..
Standard Gas & Elec. Co.	66⅜	54	84⅝	57⅞	205	80¾	199⅞	3½
Standard Oil of Calif.	60¾	50⅜	80	53	81⅞	64	73⅝	‡3
Standard Oil of N. J.	41⅜	35⅛	59⅝	37¾	83	48	73⅞	‡2
Standard Oil of N. Y.	34½	29¾	45½	28¾	48⅛	37⅝	44¾	1.60
Stewart-Warner Speedometer	87½	54¼	128⅛	77¼	77	60¼	61⅞	3½
Studebaker Corp.	63½	49	87⅛	57	98	67¾	67¾	5
T								
Texas Corp.	58	45	74¾	50	71⅞	57¼	66⅞	3
Texas Gulf Sulphur	81⅜	49	82½	62⅛	85¼	68⅛	69½	4
Texas Pacific Coal & Oil	18⅞	12	26⅝	12⅛	23⅞	15⅛	15½	§5
Tide Water Assoc Oil	19¼	15⅝	25	14¾	23⅛	17½	18⅛	..
Timken Roller Bearing	142½	78	154	112⅝	119⅛	73½	112¼	3
Tobacco Prod. Corp.	117⅝	92¾	118⅛	93	22⅛	12½	12⅝	1.40
Transcontinental Oil	10⅜	3¾	14⅛	6¾	15¼	9	12	..
U								
Underwood-Elliott-Fisher	70	45	93⅞	63	169½	91	164½	4
Union Carbide & Carbon	154½	99⅛	209	136⅛	140	75¼	128¾	2.60
Union Oil of California	56½	39⅝	53	42¾	54½	45½	50½	2
United Cigar Stores	33⅛	32⅝	34⅝	22⅞	27½	12⅞	13⅞	1
United Fruit	150	113½	148	131⅛	158½	109⅝	119¼	4
U. S. Cast Iron Pipe & Fdy	246	190½	53	38	55⅞	26½	27⅛	2
U. S. Industrial Alcohol	111⅛	69	138	102⅛	226½	128	212½	6
U. S. Rubber	67⅛	37¼	63¼	27	65	42	54¾	..
U. S. Smelting, Ref. & Mining	48⅞	33⅝	71⅛	39½	72⅞	48	48¾	3½
U. S. Steel Corp.	160½	111⅝	172¾	132⅝	261¾	163	231½	7
V								
Vanadium Corp.	67½	37	111⅛	60	116⅛	68	88⅞	‡4
W								
Warner Bros. Pictures	45⅛	18¼	139¼	80⅞	64½	54¼	56¾	‡3½
Western Union Tel.	176	144½	201	139½	238½	179¾	214¾	8
Westinghouse Air Brake	50½	40	57⅞	42¼	67¾	43¼	61⅝	2
Westinghouse Elec. & Mfg.	94⅝	67⅝	144	88½	292⅝	137½	240½	4
White Motor	58⅜	30¼	43¾	30¼	53⅛	38	45	1
Willys-Overland	24¾	13⅛	33	17¾	35	17⅛	18¾	1.20
Woolworth Co. (F. W.)	198½	117¾	225⅝	175½	103⅞	85	98½	2.40
Worthington Pump & Mach.	46	20½	55	28	137⅜	43	120¼	..
Y								
Youngstown Sheet & Tube	100½	80½	115⅝	83½	143	128	128¼	5

* Ex-dividend. † Bid Price. ‡ Partly Extra. § Payable in Stock.

Securities Analyzed, Rated and Mentioned in This Issue

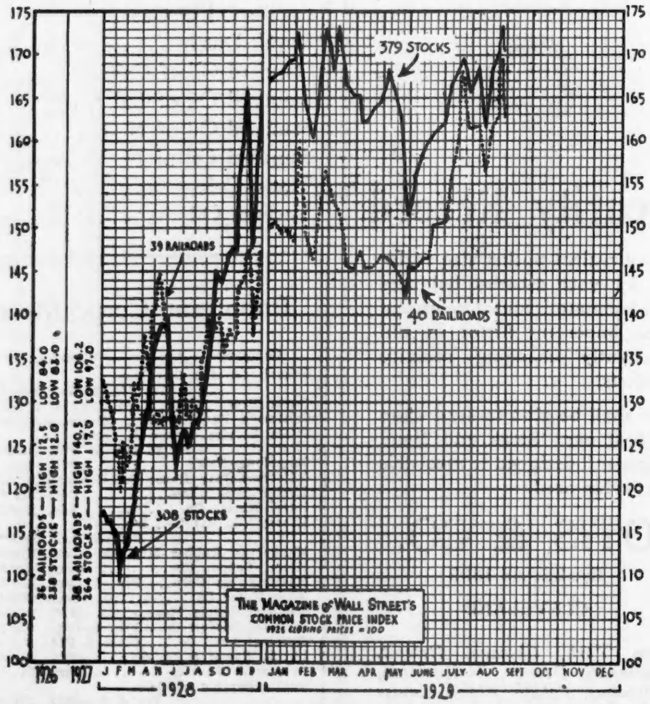
Important Corp. Meetings

Company	Specification	Date of Meeting
Bohack (A. C.) Co., Inc.	1st Pfd. & Com. Div'd	10-16
Burns Bros.	All Classed Stock	10-15
California Packing Co.	Common Div'd	10-10
Cities Service Power & Light	$7, $6 and $5 Pfd. Div'd	10-17
Congoleum-Nairn	Pfd. Div'd	10-10
Gillette Safety Razor Co.	Common Div'd	10-9
Gimbel Bros., Inc	Pfd. Div'd	10-8
Inter. Nickel Co	Pfd. Div'd	10-7
Kinney (G. R.) Co., Inc.	Pfd. & Com. Div'd	10-16
Manhattan Rubber Mfg. Co.	Com. Div'd	10-17
Miami Copper Co	Com. Div'd	10-7
Munsingwear Corp.	Pfd. & Com. Div'd	10-15
Nash Motor Co	Com. Div'd	10-10
National Bellas Hess	Pfd. Div'd	10-16
National Biscuit Co.	Pfd. & Com. Div'd	10-15
National Lead Co.	Class A Pfd. Div'd	10-17
Pacific Power & Lt. Co	Pfd. Div'd	10-18
Proctor & Gamble Co	Com. Div'd	10-15
Public Service of Colo.	7% & 6% Pfd. Div'd	10-15
Republic Iron & Steel Co.	Com. Div'd	10-16
Sinclair Consol. Oil Corp.	Pfd. Div'd	10-16
Woolworth (F. W.) Co.	Com. Div'd	10-9
Great Northern Ry	Special	10-10
Southern Ry. Co	Special	10-8
U. S. Rubber Co	Special	10-15

THE MAGAZINE OF WALL STREET'S
COMMON STOCK PRICE INDEX
(1925 Closing Prices = 100)

Number of Issues in Group	Group	1929 Indexes (379 Issues) High	1929 Indexes (379 Issues) Low	Recent Indexes Sept. 14	Recent Indexes Sept. 21	1928 Indexes (308 Issues) Close	1928 Indexes (308 Issues) High	1928 Indexes (308 Issues) Low
379	COMBINED AVERAGE	173.1	151.3	171.0	170.5	165.4	166.0	109.2
40	Railroads	169.5	142.1	165.2	163.6	147.1	148.9	119.5
3	Agricultural Implements	655.4	378.2	482.0	433.1	513.2	513.2	280.5
8	Amusement	268.0	216.7	231.0	231.3	253.8	262.9	98.3
15	Automobile Accessories	212.6	176.9	178.4	177.4	190.2	190.2	86.4
18	Automobiles	134.9	96.3	100.2	96.3-1	133.5	133.5	79.0
2	Aviation (1927 Cl.—100)	307.1	230.3	260.9	230.3-1	284.4	(Begun 1929)	
3	Baking (1926 Cl.—100)	96.3	73.4	85.3	83.7	82.3	82.9	51.5
2	Biscuit	261.0	198.6	257.5	250.7	225.2	242.4	169.7
4	Business Machines	363.6	234.1	361.5	359.1	235.0	235.0	153.7
2	Cans	273.5	177.7	252.5	266.9	177.7	181.4	117.2
7	Chemicals & Dyes	340.1	221.7	339.0	369.9	221.9	(Begun 1929)	
2	Coal	124.0	80.3	108.4	119.8	120.2	120.3	81.8
14	Construction & Bldg. Material	145.4	116.6	143.2	145.4H	136.9	136.9	94.4
15	Copper	391.5	284.6	319.9	313.6	299.6	299.6	159.8
3	Dairy Products	146.0	109.8	141.0	146.0h	120.4	132.5	68.1
7	Department Stores	86.5	62.1	74.2	72.4	86.5	89.5	62.9
10	Drugs & Toilet Articles	199.2	166.9	174.5	173.3	196.0	201.9	157.2
5	Electric Apparatus	298.5	183.5	273.5	269.1	183.5	183.5	125.6
3	Fertilizers	121.4	65.8	72.7	69.4	106.4	116.3	78.4
2	Finance Companies	213.9	161.4	208.2	213.9h	178.5	(Begun 1929)	
4	Furniture & Floor Covering	209.3	143.3	208.6	207.1	185.0	185.0	110.2
5	Household Appliances	110.8	88.3	91.7	90.8	110.8	113.3	87.5
3	Investment Trusts	406.2	154.4	308.5	323.9	154.4	(Begun 1929)	
3	Mail Order	418.6	309.0	346.6	346.6	418.6	426.5	147.9
4	Marine	93.7	71.4	80.4	83.6	77.4	96.5	66.8
2	Meat Packing	104.4	70.6	73.7	72.2	104.4	(Begun 1929)	
40	Petroleum & Natural Gas	171.7	143.5	157.0	149.9	164.4	182.6	86.1
5	Phono'phs & Radio (1927—100)	321.1	248.9	287.4	265.7	290.0	(Begun 1929)	
17	Public Utilities	388.4	213.3	373.1	388.4H	215.5	215.5	127.9
10	Railroad Equipment	136.1	117.5	136.1H	133.8	127.8	128.9	112.1
3	Restaurants	180.5	119.3	166.4	180.5h	131.0	138.1	89.8
2	Shoe & Leather	178.3	117.3	125.3	125.8	176.2	231.4	138.3
2	Soft Drinks (1926 Cl.—100)	244.0	206.9	234.0	237.8	208.6	214.0	152.9
13	Steel & Iron	173.4	133.3	169.9	166.8	138 8	143.4	86.3
6	Sugar	81.6	59.0	59.0L	60.4	78.7	93.7	72.8
2	Sulphur	295.2	242.5	261.0	267.6	286.9	386.9	251.6
3	Telephone & Telegraph	252.3	150.1	236.9	239.0	150.1	150.1	120.8
6	Textiles	128.5	85.2	85.8	85.8	122.8	123.8	78.6
8	Tire & Rubber	111.4	63.2	67.6	66.3	104.0	104.0	61.5
11	Tobacco	184.6	135.3	136.0	185.3-1	180.9	195.0	167.8
5	Traction	140.4	80.4	89.4	91.6	126.6	150.4	103.8
2	Variety Stores	128.8	110.9	124.5	128.5	124.4	126.8	98.0

H—New HIGH record since 1925. L—New LOW record since 1925.
h—New HIGH record this year. l—New LOW record this year.



(An unweighted Index of weekly closing prices specially designed for investors. The 1929 Index includes 379 issues, distributed among 42 leading industries, and covers about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange. It is compensated for stock dividends, rights and assessments and reflects all important price movements with a high degree of accuracy. Our methods of making annual revisions in the list of stocks included renders it possible to keep the Index abreast with evolutionary changes in the market, without impairing its continuity or introducing cumulative inaccuracies.)

(Continued from page 1034)

of and it may be assumed that the merger of these three roads by Loree has been definitely abandoned.

In this connection it is interesting to make mention of the reported acquisition only a short time ago of a substantial block of Missouri-Kansas-Texas common stock by the Van Sweringen interests, probably for the account of the Alleghany Corp. Whether this stock was purchased purely for enhancement in value or for merger purposes is not quite clear, but it is possible that the Van Sweringen interests were actuated by a motive that may ultimately prove to be of considerable benefit to the present Katy stockholders.

Both the common and preferred stocks of Missouri-Kansas-Texas would appear to be attractive purchases at this time. The preferred which is now selling at 104 has had a high of 107½ and a low of 102 for this year. However, it is the common stock which has lately seen the most activity, due, no doubt, to the interest aroused when the Alleghany Corporation started accumulating it a short time ago. The range of the stock this year has been between a high of 65¾ and a low of 42½. The shares at present are selling around 54, which price represents a considerable decline from the high of the year. Considering the excellent condition of the Katy's property, the economy of operation, and the continued improvement in earnings, the common stock of this company, in comparison with some of the other non-dividend paying rails, seems very reasonably priced at current levels. Moreover, its recent market action would seem to indicate that the stock is under heavy accumulation.

Western Roads Have Big Stake in Rate Decision

(Continued from page 1007)

roads of the United States, although a new high level may be reached this year.

Railway executives in the Northwest have called special attention to the fact that the rate of return earned on the railroads in that region was lower than on the railroads of any other district or region in each of the years from 1924 to 1928 inclusive. This was true also for 1923, except as to the roads of the New England Region.

Those executives are firmly of the opinion that the net railway operating income of the railroads of the Northwest, for the first seven months of this year, should not be taken as a basis on

which to decide whether the railroads of that section are in need of higher rates, particularly a revision upward of class rates. For those seven months the railroads of the Northwestern Region as a whole showed 5.28 per cent on their investment and those of the Western District as a whole 5.46 per cent. Both of these figures are still below the rate of 5.75 per cent prescribed in the Transportation Act.

In the opinion of those executives also the rate structure should be such in the Northwest as to enable the railroads there to make a satisfactory return in years when the traffic obtainable is not as large as during the first seven months of this year. It may be repeated that until this year, for the last six years, the rate of return did not reach even 5 per cent, and for most of the time was much below that level.

Without seeming to be pessimistic, it may be stated on unquestioned authority that in all probability the earnings of the railroads of the Northwest will fall off somewhat during the last three months of this year. The latest estimates show a reduction of 60,000,000 bushels in the wheat crop of that section. This year's output has been moving earlier and in larger volume than usual. For those reasons the movement during the last three months of this year is expected to be correspondingly less. This situation is likely to affect the Great Northern particularly, as it is the largest carrier of wheat among the railroads of the Northwest.

Examiners' Findings

Now for something relative to the scope of the report of the I. C. C. examiners on Western Trunk Line rates, in which they recommend a readjustment of the whole structure, to a considerable extent, which would mean revisions both upward and downward. The following are some of the principal findings of the examiners.

That the Western Trunk Line carriers are entitled to increase class rates, because their class rate traffic now contributes a disproportionately small share of their revenues; because of the financial condition of the carriers, and because the economic conditions existing in Western Trunk Line Territory are such as to enable the payment by shippers therein of those increased class rates.

That we may have a little better idea of the geographical section of the country that we are talking about in this article, it may be noted roughly that "the greater portion of Western Trunk Line Territory lies in the Mississippi and Missouri River basins,

while a large area is within the Great Plains Region."

It is important to know also that "a large part of the population is rural." In fact, the examiners state in their report, that the "percentage of rural population ranges in the seven states lying entirely within Western Trunk Line Territory, from 52.7 per cent in Wisconsin to 86.40 per cent in North Dakota, according to the 1920 census."

It follows naturally that, "generally speaking, Western Trunk Line Territory is an agricultural rather than a manufacturing region. Manufacturing and mining are not without importance, however, and jobbing has long played an active part in the commerce of the region."

The examiners explain that "rates on many of the agricultural, manufactured and mineral products in Western Trunk Line Territory are not an issue in these proceedings, because such products move on commodity rates." It is added, however, that "some of the more important products and articles move in Western Trunk Line Territory in carloads extensively on class rates."

The examiners give considerable space to the effect of motor truck competition upon the short haul freight traffic and earnings of the railroads. They very properly observe that "there is so wide a difference between the nature of the services offered by motor trucks and railroads, that in many instances no conceivable rail rate could be so low as to attract an appreciable volume of business from the motor trucks."

Furthermore, the examiners suggest that, "while consideration has been given to motor truck competition, it is not within the province of this Commission or in the interest of the public to prescribe rail rates unduly low for short hauls, solely for the purpose of eliminating that competition."

Among the 16 findings of the examiners No. 3 is perhaps the least liked by the railroads. In part it reads: "That in computing all-rail distances for the determination of reasonable rates under the scales of rates and differentials herein recommended, the shortest possible route should be used over which carload traffic can be interchanged without transfer of lading."

The examiners make no recommendation either with respect to intrastate rates, because they say that this particular class rate case is a cooperative hearing, in which the State commissioners participated, and because the railroads in Western Trunk Line Territory have applications for increases in rates pending before the State commissions.

In spite of what are regarded as unfavorable features of the examiners' report, railway executives in Western Trunk Line Territory say that the adoption of the recommendations of the examiners by the Commission would mean a substantial increase in rates within the territory, and east of the Missouri River, a substantial increase in Nebraska differential territory and in East and South Dakota, with lesser increases as you proceed west until you reach Grand Island and points west thereof, where the requirements mean a reduction in existing rates.

What Is the Measure of Bank Stock Prices?

(*Continued from page* 1000)

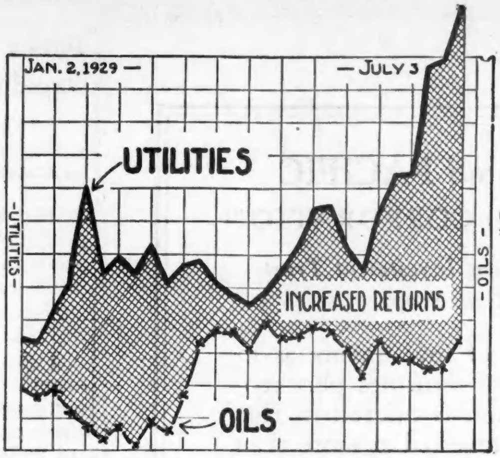
The frequent allotment of rights in connection with capital increases is one of the outstanding features of a bank stock investment. Usually offered to the stockholders exclusively at a subscription figure quite a bit below the market level, the stock may be either added to the original holding at a much lower ratio or sold for what amounts to a substantial extra cash dividend. These additional holdings also raise the original yield to a much higher point, quite commensurate with the average yields of industrial stocks.

The yield of a bank stock, when first purchased, is not a deciding factor. Appreciation of the original investment, both in number of shares and in market price, is the inducement. It must be borne in mind also, that bank stocks are not suited for short swing speculation; their particular merit lies in prolonged holding.

An additional feature of bank stocks is the prevailing practice of splitting up the former par values of $100 to pars of $25, $20 and even $10. This movement has done more to place such securities on the same popular basis as industrial stocks than any other feature.

When compared with industrials, the price ratio to earnings again becomes of particular interest. Over a five-year period, ending with the spring of this year, the ratio of price times earnings increased from somewhat over seven to a little above 18, or more than 150 per cent for all classes of industrial stocks while for bank stocks in the same period it advanced from a little more than 17 to slightly over 34, a gain of but 97 per cent.

In other words, bank stocks in general have not increased in price nearly as much as have industrials and this fact tends to support the view that bank stocks as a whole are not too highly priced today.



Do You Hold, or Are About to Buy

Oil Stocks?

¶ Shrewd alert investors are interested in profit-makers. So far this year, as measured by Standard Statistics averages, this is what oils and utilities have done—

	Jan. 2	Sept. 19	Advance
Oils	**139.5**	**167.6**	**13%**
Utilities (20)	**196.6**	**345.5**	**76%**

¶ American Securities Service so far has persistently favored utilities, and recommended exchanging out of oils. This has meant *extra* profits for our clients; utilities between Jan. 2 and Sept. 19, as compared with oils, have shown over five times more profit.

What Is Ahead Now?

¶ Oil stocks recently, however, have been acting better. Are basic conditions changed, with the oils now due for an important advance? Our special report on Oils analyzes the outlook clearly, also covers these stocks, whether to

Buy, Hold Sell or Exchange—

Pan American?	**Standard N. J.?**	**Standard Ind.?**
Royal Dutch?	**Lago Oil?**	**Simms?**
Barnsdall?	**Humble?**	**Phillips?**
Atlantic Ref.?	**Indian Ref.?**	**Amerada?**

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Banks Meet New Problems in Rapidly Broadening Functions

(Continued from page 997)

recent months the trend toward trust company charters by national banks has been alarmingly accentuated. Great bank consolidations of national banks and trust companies are taking place in which the national charters are being given up. Within the past six months seventy-nine national banks with aggregate resources of two and three-quarter billions have transferred to State jurisdiction. It is quite evident that banks find it more advantageous to carry on the business of banking under trust company charters. However, it is within the power of Congress to turn the advantage in favor of the national banks and thereby make it to the interest of all banks to operate under the national charter. What form this action should take requires the most careful consideration.

Many people do not seem to understand why there is a distinction between national and State banks, or, to put it another way, one group should have privileges which the other group does not have. This point is all the more interesting now that so many national banks have elected to operate under State charters.

Fundamental Necessity of National Banks

There are two fundamental reasons why a national bank system is essential to the public welfare. First, commerce between the States is vested with a national interest, and in order that it may be financed in an orderly manner it is necessary that there be a uniform system of commercial banking with a common standard under the direction and supervision of the Federal Government. Second, and more important than the first, it is necessary for the government to possess a government instrumentality of finance in the form of a system of national banks in order that it may through them be able to enforce a national financial policy in times of stress.

American financial history has conclusively demonstrated that the government cannot rely upon the voluntary cooperation of the state banks and trust companies for the execution of a national policy. Moreover, the Federal Reserve System could not have been created by Congress out of the state banks and trust companies. Had the national banking system not been in existence the year before the outbreak of the World War, we would

in all probability have witnessed another disastrous attempt in war finance.

If Congress would protect itself from the loss of its present banking instrumentality, it must make it to the advantage of capital to seek the national rather than a trust company charter. Banking capital is without prejudice or sentiment. Banking, like other business enterprises, is entered into by stockholders for the purpose of realizing a return upon the investment. It is futile to attempt to impute to such stockholders altruistic or patriotic motives. As between two systems of banks, capital will flow more freely into the one which yields the largest returns in dividends. If the advantage in this respect be fundamental and permanent, the system of banks thus favored will be the one which will survive.

Banking capital, therefore, will flow back into the national banks normally and easily with the turn of the tide of advantage. The alternative would seem to be the elimination of the national banks in favor of forty-eight distinct systems of banks under the supervision of forty-eight separate state banking departments. It is no criticism of the state banks and trust companies to say that the national government cannot rely upon them to serve as its instrumentalities in the enforcement of a federal fiscal policy.

Need for Legislation

The National Bank Act specifically requires the Comptroller of the Currency to recommend to Congress any amendment to the laws relative to banking by which the system may be improved and the security of creditors may be increased. In the present critical state of the national banking system I feel it to be a serious undertaking to discharge that responsibility. Before proceeding to lay before Congress a definite formulation of proposed amendments to the banking laws, I shall, as soon as is practicable, as has already been announced, call into consultation a group of outstanding bankers and students of finance and shall ask their assistance in the formulation of recommendations to Congress which will offer to state banks and trust companies an opportunity to gain a wider field of banking operations under the national charter.

It seems, in view of the existing situation with reference to unit banking, the growth of group banking, the curtailment of branch banking by federal statute, and the increasing number of bank mergers under trust company charters, that the time appears opportune to reexamine the basic structure of our entire banking system and to formulate a new banking policy to meet present-day conditions.

Profit Possibilities in Monopoly Stocks

(*Continued from page* 1019)

deferred locomotive and rolling stock requirements.

Pullman, Incorporated's net profits in the first half of the current year were equivalent to $2.24 a share compared with $1.87 in the same period of 1928 and $4.86 for all of last year With current assets of 92.89 million dollars and current liabilities of but 20.25 millions, the company is obviously so strongly situated financially that it may pass along any improvement in earnings resulting from recovery in the car manufacturing department to its shareholders. The stock thus has speculative possibilities, in addition to its merits as an investment holding, at current levels around 94.

International Match Corporation

It would, perhaps, be incorrect to say that International Match enjoys a monopoly, but its ramifications are so extensive that competition is of purely local character. The foreign habit of turning government match monopolies over to private interests in consideration of loans has, in fact, enabled International Match to secure complete control of the match industry in numerous European, Asiatic and South American countries.

International Match was organized in 1923 to take over the foreign interests of the Swedish Match Co., the latter retaining practically the whole of the former's common stock. Evidently, the segregation of the Swedish company's foreign interests in this fashion was dictated, at least in part, by the facility with which capital could be raised in the United States, following this country's elevation to the position of the leading creditor nation after the World War.

In the beginning, the company's business was confined principally to the exportation of matches. But the relatively small cost of these widely consumed articles has made them a favorite target of taxation. The tendency toward levying duties on matches became especially pronounced after the war and to meet the situation, International Match has directed its efforts toward the acquisition of local manufacturing facilities in the countries where its product is marketed. Thus, local production has assumed considerably more importance than the original export business. Should the United States carry out proposed legislation to impose a stiff tariff on matches, the company would doubtless establish a number of factories in this country.

A further departure in recent years is the increasing importance of the state monopolies already referred to. In cooperation with Swedish Match, International has steadily added to its acquisitions and management of state concessions for matches. The monopolies now controlled include agreements with Poland, Peru, Greece, Ecuador and Esthonia. Working arrangements with private manufacturers in Germany through governmental sanction; and with the French Monopoly Administration and with numerous other countries, as well as the alliance with the leading British match manufacturer, render the operations of International world-wide and more or less immune to serious competition.

Funds required to finance the company's loans to foreign governments in connection with the acquisition of local monopolies are now supplied through an arrangement with Kreuger & Toll Co., an investment and financial enterprise which holds a substantial stock interest in International Match's parent company, Swedish Match. This arrangement enables International to confine its attention to the match business and relieves it of the necessity for expanding bonded debt or share capitalization for the purpose of raising funds to finance foreign loans.

The international field of operations and the strategic position of the company in an essential industry give its securities a distinct investment flavor. At the same time, the preference stock, in which the principal interest is centered, is not without possibilities for long term price enhancement. Though this issue represents a major industrial enterprise experiencing a striking expansion of gross business and net income (net income increased 420% between 1921 and 1928), it is still quite reasonably priced at current levels around 80.

Dividends on the preference shares are cumulative at the rate of $2.60 per annum but they are entitled to participate equally with the common stock in any disbursement exceeding $2.60 a share to the latter. Moreover, the directors, if they see fit, may disburse additional dividends on the preference shares regardless of what payments are made on the common. Since the preference shares are entitled to equal subscription and stock distribution rights with the common, they enjoy substantially all of the privileges of participation in future growth which would accrue to the ordinary junior security.

For Feature Articles to Appear in Next Issue See Page 989

Strong Factors in Long Range Oil Prospect

(Continued from page 1009)

ing companies not being available. As the figures that are available indicate a larger ratio of profits for the bigger units and the refining companies, it is quite likely that even this compilation understates the real growth in profits for the oil industry within the period covered. Thus, while the oil stock investor is fretting about overproduction exhibits, the leading concerns in the oil business are going ahead increasing their earnings out of the strong demand for gasoline and other refined products.

Looking at the matter from the broadest possible view, the much discussed over-production of crude oil has strengthened the industry in many respects during the past three years. Burdened by large stocks on hand and low prices for crude the oil companies have been compelled out of necessity to improve their operating efficiency in order to show profits or survive. The companies which lacked adequate crude oil supplies were able to fortify their position in this regard by merging with the weaker producing concerns or by acquiring additional crude oil reserves in a favorable market. The producing companies, on the other hand, in order to market their crude at a profit were compelled to round out their activities, build refineries and enlarge distributing facilities for their products. The tremendous growth in the consumption of petroleum products fortunately was just about adequate to support both of these trends of expansion.

In order to furnish their properties with the latest and most efficient equipment and to acquire cheap crude supplies, the oil companies have been meager in their distribution of dividends to stockholders, reinvesting huge sums into such income producing properties. The net result as far as the companies are concerned is that they are now equipped to operate at the peak of efficiency; they have acquired valuable properties and large supplies of cheap crude oil; they have built up very comfortable cash resources and paid out sparingly of their earnings. The larger oil companies consequently are in a stronger position today than at any previous time in their history. Their stockholders in the meantime have had little to show for their patience beyond occasional stock market flurries and the comforting knowledge (if they had that) that some day their unprofitable commitment would show them a handsome return.

Another bright lining to the cum-

bersome cloud of over-production, of course, has been the realization of the leaders in the industry that the day of real prosperity will be hastened by rationalization in the methods of producing oil; by cooperation as far as legally possible in the exploitation of new reserves; by conservation of crude reserves below the surface and by the elimination of wasteful methods of bringing oil to the surface and its products to the consumer. So much has been said about this phase of the petroleum industry that we will not spend time or space to rehash well known facts. This much should be stated, however. Much progress has already been made toward conservation; many disappointments have also been encountered and there still remain many practical and psychological obstacles in the way of regulating oil production in an entirely satisfactory manner. The point that is stressed here is the fact that 1929 has given much encouraging evidence of the fact that the hope of oil stock holders does not rest exclusively on this rather nebulous factor known as oil conservation.

During the corrective period through which the general stock market has been going, the petroleum shares as a group have given a comparatively favorable accounting of themselves.. The stocks of the leading companies gave considerable evidence of the fact that they are held in strong hands. The accumulation in this kind of a market is for long range market possibilities, however, and not for immediate profit prospects. There may be some bad news in the offing, particularily concerning prices and production, which the current buyer of oil stocks must be prepared to disregard in favor of the long pull prospects, even though such news be translated into terms of lower security values, for the time being.

Answers to Inquiries

(*Continued from page* 1030)

building up a combination of trade-marked products, which latter has been attended with outstanding success to date. We fail to perceive where a close community of interest between Beech-Nut and Gold Dust or a possible merger at some future date should work out otherwise than to the advantage of existing Beech-Nut shareholders. We would recommend continued retention of present holdings.

CURTISS-WRIGHT

From the newspaper comments which I have read, I gain the impression that the stock of the Curtiss-Wright Corporation

may be primarily a long-pull holding—that it will take some time for this new organization to benefit to any large extent from its recent numerous acquisitions. Naturally I don't want to tie up my funds in this stock if it is going to be in the doldrums for many months. Shall I close out my holdings now with a view to replacing them when this stock begins to show a definite upward trend?—H. L. O., New York. N. Y.

The recent formation of the Curtiss-Wright Corp. with Curtiss Aeroplane & Motor and Wright Aeronautical Corp. as a nucleus, has combined not only two of the foremost aeroplane engine desiging enterprises, but has amalgamated those divisions with important manufacturing units, which in turn are interlocked with a strong distributing organization, resulting in the creation of the largest company of its kind in the world. Activities consist of the production of engines, ranging from small, light, low horsepower to the highest horsepower units, and specializing in both air and liquid cooled motors, while plane production will also be of every type, ranging from high power single seater pursuit craft to super-amphibians. The new company has an imposing board of directors, consisting of individuals prominently identified with the control of important transport enterprises holding valuable contracts for air mail and passenger transport in the United States, and to points in Central and South America. Optimism is quite general regarding the interesting possibilities held forth in the industry, but it must be borne in mind that as a prospective major industrial field, aviation is in its infancy, and it is yet too early to definitely determine just which companies may be expected to prosper to a major degree. However, in view of the strongly entrenched position of Curtiss Wright together with its strong affiliations, it seems destined to enjoy future substantial expansion, both in scope of operations and earning power, to correspond with anticipated growth of the field as a whole. As a pure speculation, the common stock is not without definite merit, although the issue is attractive more for the extreme long term holding than nearby possibilities. However, in view of the company's favorable long pull prospects, the shares may be expected to reflect, marketwise, constant speculative interest in stocks of the more favorably situated aeroplane companies of the character of Curtiss-Wright Corp.

MIAMI COPPER

A commitment which I made in Miami Copper last April has proved very unsatisfactory to me. For about five months I have used a good portion of my capital in carrying this stock which even now shows me a paper loss of eight points a share.

(Please turn to page 1054)

Statistical Record of Business

	Week Ended Sept. 21, 1929	Week Ended Sept. 28, 1929	Year Ago
Volume Stock Exchange Transactions (shares)	23,475,320	24,557,420	22,646,760
Average Price Magazine of Wall Street Index	170.5	164.5	143.5
Volume Bond Transactions	$60,504,100	$51,994,000	$51,258,300
Average Price 40 Bonds	85.98-85.80	85.75-85.58	90.85-90.75
Brokers' Loans (Federal Reserve)	†$6,569,000,000	‡$6,761,000,000	$4,525,000,000
Comm'l Loans Federal Reserve Member Banks	$9,563,000,000	$9,569,000,000	$9,082,509,000
Federal Reserve Ratio	73.8	73.8	68.5
Gold Holdings	$3,156,131,000	$3,162,175,000	$2,771,084,000
Rediscount Rate, N. Y.	6%	6%	5%
Debits to Individual Accounts	†$19,102,000,000	‡$19,409,000,000	$15,038,000,000
Call Money	8%	8%	8%
Time Money (90 days)	9%	9-9¼%	7¼%
Commercial Paper	6%	6%	5½%
Acceptances (90 days)	5¼-5⅛%	5¼-5⅛%	4⅝-4½%
Dun's Business Failures	360	428	400
Weekly Food Index (Bradst's)	$3.33	$3.33	$3.41
	Aug. 1	Sept. 1	
Wholesale Prices (Bradst's)	$12.63	$12.67	$13.28

Industrial Barometers

	July	August	Yr. Ago
U. S. Steel Unfilled Tonnage	4,088,177	3,658,211	3,624,043
Steel Ingot Production	4,838,093	4,925,802	4,178,481
Pig Iron Production	3,785,120	3,755,680	3,136,570
Pig Iron Furnaces in Blast	216	210	183
*Copper Production (short tons)	79,329	91,735	76,952
Car loadings	4,153,220	5,590,853	5,348,407
Automobile Production	517,792	513,743	458,429
Building Permits (Bradstreet's)	$211,804,800	$148,059,000	$173,809,900
Petroleum Production (bbls.)	91,327,000	....	75,426,000
Bituminous Coal Production (net tons)	40,635,000	43,889,000	41,108,000
Cotton Consumption (bales)	546,457	558,113	526,340
Spindles active	30,395,858	30,236,880	28,217,138
Wool Consumption (lbs.)	43,192,494	51,447,103	49,122,328
Railroad Earnings	$122,782,809	....	$95,230,581
% on Railroad Property invested	69.81	....	73.20

Foreign Trade

	July	August	Year Ago
Merchandise Exports	$401,000,000	$382,000,000	$381,000,000
Merchandise Imports	$353,000,000	$377,000,000	347,000,000
Gold Exports	$803,000	$881,000	$1,698,000
Gold Imports	$35,524,000	$19,271,000	$2,445,000

Distributive Trades

	July	Aug.	Year Ago
Wholesale Distribution—eight lines—index number**	100	....	94
Chain Stores Sales Index number**	181	....	164
Dept. Stores Sales index number**	106	....	107

* U. S. Mines. † Sept. 18, 1929. ‡ Sept. 25, 1929. ** Monthly aver. 1923-25=100; adjusted for seasonal variations.

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked
Aeolian Co., pfd. (7)	..	65
Aeolian Weber	..	15
Aeolian Weber, pfd. (7)	..	30
Alpha Port. Cement (3)	44	46
Pfd. (7)	116	...
American Book Co.	95	100
American Cigar (8)	143	148
Pfd. (6)	109	...
Amer. Dist. Teleg. (4)	89	92
Do Pfd. (7)	110	112
Amer. Meter Co. (5)	116	120
Babcock & Wilcox (7)	130	135
Bliss (E. W.) Co., 1st Pfd. (4)	57	62
Cl. B Pfd. (0.60)	10	...
Bohack (H. C.) Co. New (2¼)	77	82
1st Pfd. (7)	100	...
Colt Fire Arms (2)	37	39
Congoleum Co. Pfd. (7)	104	107
Detroit & Canada Tunnel	6	6½
Dixon (Jos.) Crucible (8)	178	180
Fajardo Sugar	81	83
Franklin Rwy. Sup. (1)	67	70
Gt. Atl. & Pac. Tea Pfd. (7)	114	117
Helme, Geo. W. (4)	100¼	102
Pfd. (7)	127	129
Hercules Powder (new)	..	123
Pfd. (7)	120	...
Knox Hat New, w. i.	..	135
Metro. Chain Strs., New Pfd. (7)	114	118
Murphy (G. C.) (1.20)	102	104
Pfd. (8)	102	106
National Sugar Ref. (2)	38	39
Neisner Bros. Pfd. (7)	218	222
New Eng. Tel. & Tel. (8)	164	168
Newberry (J. J.) (1.60)	90	92
Pfd. (7)	102	107
Remington Arms	40	44
1st Pfd. (7)	92	98
Savannah Sugar (8)	100	106
Pfd. (7)	100	106
Shaffer Oil & Ref. Pfd. (7)	91½	...
Singer Mfg. Co. (10P)	525	550
Superheater Co. (6P)	240	250
United Porto Rican	36	38
Pfd. (3.50)	39	41
Wash. Ry. & Elec.	900	1000
Pfd. (5)	97⅝	98
White Rock 2nd Pfd. (5)	210	240
1st Pfd. (7)	101	...
Woodward Iron (4)	53½	55
Pfd. (6)	90	...

P—Plus extras.

(Continued from page 1051)

Shall I take this loss? I have been informed that last spring saw top prices in copper stocks for some time to come. What is your opinion?—J. G. L., Shawnee, Okla.

Following the practical exhaustion of high grade ores, Miami Copper has been compelled to extend operations to low grade ores, so that the company ranks as a relatively high cost producer, but high operating efficiency has served to keep costs in hand. As of January 1st, 1929, ore reserves amounted to 95,398,000 tons of sulphite and 7 million tons of mixed ore, indicating a probable life, at the existing rate of production of from 18 to 20 years. Based on 48,259,448 pounds of copper produced in 1928 for which an average price of 14.9997 cents was received, earnings were equal to $2.47 a share. However, present output is at the rate of 60 million pounds annually, and recently improved concentrating facilities have increased capacity to 75 million pounds a year It is estimated that with an average price of from 15 to 16 cents a pound received for copper, earnings in the full 1929 year should be in excess of the $4 a share dividend requirements and should copper metal prices average slightly over 18 cents for the full year profits would approach $6 a share. Copper metal prices have shown some tendency toward sluggishness in recent months, but the fundamental statistical position of the industry remains strong, and it is likely metal prices will become stabilized at or above existing levels, permitting Miami to report favorable earnings for the full 1929 year. Financial position is comfortable, dividends at the annual rate of $4 a share seem reasonably secure for the present and while the shares are among the more speculative in the copper group, if you are not averse to assuming a degree of risk, we believe retention justified rather than liquidation at a sacrifice at this time.

CHILDS

Thanks to your recommendation I held on to Childs common last June when it went below 50 and I had a paper loss of over $1000. Shall I accept the profit of $1200 which I now have? It would seem that a rather long period is likely to elapse before increased earnings under the new management would justify a much higher price for this stock.—E. A. H., Pittsburg, Kan.

Childs Company operates one of the largest chain restaurant systems, about one-half of its upward of 115 units being located in the Metropolitan district of New York and the remainder in the larger cities of the United States and Canada. Volume of business registered consistent yearly increases up to 1928, when the sales fell off sharply, reflecting unfortunate menu experiments. For a period of years through 1928, net profits fell off regularly, but profitable operations in real estate have prevented income statements in recent years from showing the exact extent

of the decline in earnings from regular operations. However, excluding profits from the sale of real estate, 1928 results showed a deficit of $64,630 as compared with income of $2.22 a common share in 1927 and $3.83 a share in 1926. However, with the advent of new management both sales and earnings have been on the upgrade in the current year, profits in the first six months showing a balance equal to 60 cents a share against a deficit in the same period of 1928, although the maximum benefit ultimately expected from the introduction of improved operating methods seems to lie quite some distance ahead. Income from real estate operations permit of a continuation of dividends at the annual rate of $2.40 a share, financial position is comfortable, and the company seems in a fair way to again resume its former position as a satisfactory commercially profitable enterprise. On the other hand, existing quotations of common stock appear to represent ample discount of recent and prospective improvement in the company's affairs over the reasonably near term, and we are inclined to believe you would do well to accept your profit, with reasonable possibilities of replacing your holdings to somewhat better advantage at some future date.

PRAIRIE OIL & GAS

A conservative investment house has advised me to purchase Prairie Oil & Gas. I know it is a sound stock which pays a good dividend but the price range seems limited. What are its possibilities for further price appreciation over a reasonably short time?—L. R. T., Flint, Mich.

Occupying an important position in the Mid-Continent field by virtue of its large operations in the production, purchase, storage and sale of crude oil, Prairie Oil & Gas carries on no refining operations, so that earnings have been subject to wide variations over a period of years to correspond with fluctuations in crude oil prices. In addition to its own direct production, surplus facilities have been used to purchase and store crude oil, of which the company now has a large inventory, and stands to benefit substantially from any stiffening of crude prices. Following highly favorable earnings in 1926, when net was equal to $6.65 a share, profits fell off materially in 1927, when a balance equal to $1.11 a share was reported with moderate improvement in the first six months of 1928, but reflecting a strengthening of the crude oil price structure in the latter part of 1928, income for the 12 months ended December 31st, 1928, was equal to $4.34 a share. Pending definite evidence of marked and sustained improvement in the industry as a whole, little can be expected in the way of

large earnings but with indications of more intelligent control over output in relation to consumption, any change in basic conditions should be on the side of betterment. Moreover, Prairie Oil & Gas has been mentioned from time to time in the past in connection with possible merger negotiations, Sinclair Consolidated Oil being mentioned prominently in this connection, which holds forth interesting future possibilities. While the shares are primarily attractive for the longer pull rather than the near term, we are not averse to recommending commitments on that basis.

NORANDA MINES

Will you please let me have your detailed analysis and definite opinion concerning Noranda Mines listed on the New York Curb? At present I have a loss of about $250 on 30 shares bought in January.—F. S. B., Bridgeton, N. J.

Developed earning power to date of Noranda Mines, Ltd., forms little basis for judging the merits of the stock, inasmuch as main efforts in the past have been concentrated on an extensive development program, with the result that subsidiaries are now getting into heavy production of copper and gold, giving rise to the probability that net profits in the full 1929 year will show material expansion over comparative earnings equal to 77 cents a share in 1928. Indicated ore reserves are large, and at latest reports operations both on the surface and underground at the Noranda Mine were forging steadily ahead with the promise that the enterprise soon would be producing at a rate equal to around 20 million dollars annually, calling for the handling of about 2,000 tons daily, with an average copper content of about 7%, together with an average of around $5 per ton in gold. Financial position is comfortable, the company has strong affiliations and seems to face a bright future. While the shares must be regarded as being in the speculative category, they are not without merit in their class and if you are not averse to assuming a degree of risk, we believe retention of present holdings justified for the longer pull as opposed to a sacrifice sale.

CONTINENTAL CAN

Do you think the time has come to accept a 100% profit which I have on 25 shares of Continental Can common purchased early last year? The yield at current levels is small. I was disappointed that there was no dividend increase after the stock was split-up last November. Is a large dividend likely by the end of this year?—E. B. L., Baton Rouge, La.

Continental Can Co. ranking as the second largest manufacturer of tin containers in the country, through new acquisitions and plant expansion, together with greater diversification of output has greatly strengthened its strategic position in late years, the maximum benefits of which have not yet had time to find due reflection in income account, although present indications point to record earnings in the full 1929 year. Despite the failure of the tomato crop last year, earnings were at a peak level, reflecting the introduction of numerous operating economies. Profits in the 12 months ended December 31st, 1928, were equal to $4.22 a common share based on 1,462,729 shares outstanding, after a 100% stock dividend and additional shares issued for the acquisition of new subsidiaries and to employees, etc. Outstanding common stock was again increased through further acquisitions this year together with an offering to existing stockholders of additional shares in May. Expansion plans do not appear to have been completed, which is likely to dictate a conservative policy with respect to cash dividends, but reinvestment of surplus earnings should eventually permit of extra disbursements from time to time, probably in the form of stock. We are optimistic regarding the company's long term future, and are confident further patience will bring its own reward. We suggest maintaining your present position.

LONG BELL LUMBER

Early in 1928 I purchased 10 shares of Long Bell Lumber class A stock slightly above $30 a share as a speculation, on the assumption that affairs of the company showed signs of improvement, with the result that I now have a substantial paper loss. What would you recommend?—J. L. T., Harrisburg, Pa.

Long Bell Lumber Corp. functions as an important holding company, the operating unit of which is the largest in its field. The combined organization owns timber and manufactures lumber in several sections of the United States, marketing its product through wholesale and retail channels, and enormous reserves of standing timber assure long term operations. Reflecting generally depressed conditions in the lumber industry, resulting from overproduction and sharply reduced prices, earnings fell off drastically in 1927, showing a deficit after fixed charges, of $606,217 against a profit equal to $4.58 a class A share in 1926 and $8.10 a share in 1925. Moderate improvement was registered in 1928, when net income equalled 39 cents a class A share and some strengthening of basic conditions in the industry resulted in profits equal to 68 cents a share in the first six months of 1929, after excluding profits of $1,616,386 from sale of capital assets. Financial position is fair, but present indications point toward re-

development of anything approaching former satisfactory earning power being a tiresomely slow process, and we see little incentive to retain present holdings at this writing.

HAYES BODY

Early this year based on reports of substantial current and prospective earnings, I purchased 25 shares of Hayes Body stock at $47 a share. Subsequently, the stock has suffered a drastic decline and I am wondering whether there have been later unfavorable developments suggesting the advisability of accepting my present large paper loss.—S. K. F., Toledo, Ohio.

Functioning as a manufacturer of automobile bodies, parts and accessories, earnings of Hayes Body were of a highly erratic character in years prior to 1928. However, by virtue of substantially increased orders last year, when output went almost exclusively to Reo, Chrysler and Marmon, earnings were equal to $3.36 a share on 250,000 shares outstanding against only 21 cents a share on 200,000 shares in 1927. The automotive manufacturers mentioned continue as customers this year and a new contract with Marmon providing for the use of the latter's plant by Hayes in the construction of bodies is expected to provide total business of 20 millions annually. Nevertheless, while operations have been maintained at a satisfactory level in the current year, expenditures incident to enlarging operating capacity have served to retard earnings, results in the first six months showing a balance equal to $1.75 a share on 255,000 shares. To provide funds necessary to handle increased business volume, shareholders were recently offered the right to subscribe to additional stock at $20 a share in the ratio of one new share for each five held. Until expansion plans are completed, it is altogether possible that profit margins will continue narrow and pending definite evidence of a sharp recovery in earning power, the stock is robbed of much of its attraction for the reasonably near term.

Trade Tendencies

(*Continued from page* 1032)

road equipment is improving, orders for heavy structural steel are good and pipe line orders are in fair amount. On the whole, present orders may be considered fair and some increase in buying may develop with the advent of the fourth quarter. The production-

(*Please turn to page* 1059)

Recent Reported Earning Position of Leading Companies

This department serves to provide a current record of earnings reported by leading companies. Each issue covers only those reports which are received during the fortnight immediately preceding. Net worth is calculated from the latest available balance sheet; and earnings thereon serve to measure the profit position of the company in relation to its stockholders' investment. The ratio of debt to net worth indicates, by a percentage figure, the extent of bondholders' claims as compared to stockholders' equity.

Industrials

Company	Period of Report	Earned per Dollar of Net Worth	Ratio of Debt to Net Worth	Earned per Share of Common	Market Value Sept. 23, 1929, Times Earnings	Dividend Rate
Ajax Rubber	6 mos.	(d)	19	(d)	—	—
American Ship & Commerce.	6 mos.	NM	ND	.03	41.07(g)	—
American Shipbuilding	Year	.04	ND	4.72	20.6	8
American Tobacco	7 mos.	.07	NM	7.04	14.5(g)	8
Beech-Nut Packing	6 mos.	.09	ND	3.24	13.9(g)	3
Brockway Motor Truck	6 mos.	.07	4	2.41	7.8(g)	3
Checker Cab Mfg.	7 mos.	.31	ND	7.64	5.83(g)	—
Chicago Pneumatic Tool	8 mos.	.06	18	2.56	11.45(g)	—
Cuba Co.	Year	.02	70	2.13	8.45	—
Electric Auto Lite	6 mos.	.39	ND	10.51	7.2(g)	6
Electric Investors	12 mos.	.25	ND	14.93	18.9	6(e)
Eureka Vacuum Cleaner	7 mos.	.12	ND	2.58	11.3(g)	4
Freeport Texas	9 mos.	.21	ND	3.76	9.25(g)	4
Indian Motocycle	6 mos.	(d)	ND	(d)	—	—
Lehigh Portland Cement	Year	NR	NR	4.81	8.85	2½
Lily-Tulip Cup	8 mos.	NR	NR	2.87	5.25(g)	—
Reynolds Spring Co.	6 mos.	.03	19(s)	.24	21.9(g)	—
Schulte Retail Stores	6 mos.	.06(b)	ND	1.21(b)	7.35(g)	—
Servel, Inc.	8 mos.	.07	17	.64(z)	18.9(g)	—
Singer Mfg. Co.	Year	.15	ND	26.63	20.02	10(a)
Smith (A. O.) Corp.	Year	.29	16	14.42	17.9	1.20
United Aircraft & Transport.	7 mos.	.22	ND	3.43	17.5(g)	—
United Dyewood	6 mos.	.01	ND	.27	17.6(g)	—
United Electric Coal Co.	Year	.07	11	2.25	15.1	3
Warner Bros. Pictures	9 mos.	.19	69	4.79	9.12(g)	3(a)

Railroads

Delaware & Hudson	7 mos.	.03	6	7.55	16.7(g)	9
Erie	8 mos.	.02	78	3.51	16.5(g)	—
N. Y., New Haven & Hartf.	8 mos.	.05	116	5.98	13.6(g)	5

Public Utilities

American & Foreign Power.	12 mos.	.06	ND	3.43	55.2	—
American Power & Light	12 mos.	.09	21	5.00	32.4	1(a)
Amer. Water Wks. & Elec.	12 mos.	.04	99	3.64	50.2	1(a)
Electric Power & Light	12 mos.	.08	ND	2.79	28.8	1
Federal Water Service	Year	.05	147	3.15-A	17.1	2.40
International Tel. & Tel.	6 mos.	.03	41	1.56	42.3(g)	2
Pacific Gas & Electric	12 mos.	.08	114	3.23	28.8	2

(a) And extra. (b) Before taxes. (d) Deficit. (e) Payable in stock. (g) Based upon estimated yearly earnings as indicated by period reported. (s) Including obligations of subsidiaries. (z) Not allowing for accumulated dividends. ND—No funded debt. NM—Negligible. NR—Unavailable.

(Continued from page 1057)
buying ratio must, however, be raised above the figure prospective for the near term before any increase in production will be justified.

The radical departures of the steel industry in the past year from previous precedents make deductions which might be derived from comparisons with the so-called normal inaccurate. In the first place, ignoring the usual seasonal recessions and bulges, steel production increased almost steadily from July, 1928, to a peak in May, 1929, from which it has slowly subsided to a point only 6.7% lower on September 1st. During this period, prices have been comparatively high and stable. Secondly, output this year through August was 18% above the corresponding period in 1928, an increase which could hardly be maintained throughout the entire year without damage to prices and markets. Hence, it is likely that further slight tapering of operations will be effected in the coming term.

While steel manufacturers' earnings for the last half year are not expected to equal those of the first half, they should, nevertheless, be well in excess of the comparable period in 1928 and total gains will certainly be satisfactory.

RETAIL TRADE

Trade Above Year Ago

The ultimate measure of the boasted prosperity of this country is to be found in the condition of retail trade—the direct reflection of the pocketbook of the individual consumer who, in the last analysis, pays for the various products of agriculture and industry and whose expenditures dictate increases or decreases in general activity. While it is not possible to closely measure the volume of retail trade, some indication is derived from the status of the three great selling branches: chain stores, mail order houses and department stores on whose sales definite information is regularly compiled.

Chain stores are a comparatively recent development which find their chief vantage point in small and medium sized towns where they are able, by virtue of their quantity buying power, efficient organization and low overhead, to offer the individual consumer better merchandise at lower prices than their smaller competitors. This is particularly true of the chains specializing in dry goods and moderate priced merchandise. Their expansion has been great and rapid and their huge sales volumes have enabled them to maintain low profit margins and good earnings at the same time. In fact, chain store sales increased 14.1% in 1927 and 17.1% in 1928 over the preceding years. For the first eight months this year sales gained 25.4% over the comparable period of 1928.

Mail order houses cater chiefly to residents of rural districts to whom they offer through catalogs a metropolitan selection of almost every article from a safety pin to a portable house at low prices. The favorable farm situation of the past two years has resulted in sales gains of 4.9% in 1927 and 16.9% in 1928 over the preceding years; in the first eight months this year sales increased 30.4% over the corresponding period last year. Establishment of retail stores in various centers has been a large factor in improving sales volume. The obvious advantage mail order companies have over chain stores as distributing agents is their smaller overhead due to a more compact and more centralized organization, to the smaller amount of buildings and equipment necessary and to reduced distribution costs.

(Please turn to page 1062)

New York Curb Market

IMPORTANT ISSUES

Quotations as of September 27, 1929

Name and Dividend	1929 Price Range High	1929 Price Range Low	Recent Price
Aluminum Co. of Amer.	539½	146	430
Aluminum Pfd. (6)	108¼	103½	§105½
Amer. Cyanamid "B" (1.60)	69½	39½	55⅛
Amer. Gas Elec. (1)‡	224⅞	128	201
Amer. Super Power	71¼	25⅞	55⅜
Assoc. Gas Elec. "A" (2.40)	72⅝	49¼	70⅛
Centrif. Pipe (0.60)*	13	7	7¾
Cities Service (.30)	60¼	28⅛	60⅛
Cities Service Pfd. (6)†	98¾	93½	94½
Cons. Gas of Balt. (3)	160	88⅛	137⅞
Consolidated Laundries	21	15	15
Durant Motors†	20	7⅝	8
Elec. Bond Share Stk. (6)	189	73	173¼
Elec. Investors† (6% stk.)	302⅞	77½	279¾
Ford Motors of Canada A	69¼	39¼	39⅝
Ford Motors, Ltd.	21⅞	15	17⅛
General Baking*	10⅞	6	6⅛
General Baking Pfd.* (6)	79⅛	66	66⅞
Gen'l Realty & Util	39⅞	17½	33½
Gen'l Realty Pfd. (6)	121⅝	88	119
Glen Alden Coal (10)†	159¾	118½	133½
Gulf Oil (1.5)†	209	142⅛	187⅞
Happiness Candy Stores (1.40 stk.)	5⅝	2	2¼
Hecla Mining (1)	23⅞	16	17⅛
Hygrade Food Products	49⅞	25½	27⅞
International Utilities B	22⅞	14½	16¼
Insur. Securities Inc. (1.40)	33	25	27½
Lone Star Gas (.80)	67⅞	32¼	66
Metro Chain Stores	89	70	79¾
Mountain Producers (1.60)†	22⅞	11	11¼
National Fuel Gas (1)	43⅞	24¾	39¼
New Mex. & Arizona Land†	9⅝	5⅝	5⅜
Nipissing Mining (30c)*	3¾	2	§2¼
Pittsburgh & Lake Erie (5)	156⅞	135⅛	143
Salt Creek Producers (2)†	25⅞	13	13¾
So'east Pwr. & Lt. Pfd. (4)	98	83⅞	88⅛
So'east Pwr. & Lt. (4) stk.	138	71½	120
Stutz Motors*	34	12	12
Tobacco Products Export†	3⅝	1⅞	1¾
Transcontinental Air Trans.	33⅝	13	14⅝
Trans Lux	24	5⅜	11⅞
Tubize Artif. Silk† (10)	550	305	350
U. S. Gypsum (1.60)	91⅝	56	83

STANDARD OIL STOCKS

Name and Dividend	1929 Price Range High	1929 Price Range Low	Recent Price
Continental Oil	29	16⅞	19⅜
Humble Oil (2)†	128	89⅝	117⅞
International Pet. (37½)	30⅜	22½	25¾
Ohio Oil (2¼)	79⅞	64⅛	78¼
Standard Oil of Ind. (2½)†	63	51½	54
Vacuum Oil (4)†	133¾	105½	121¼

* Listed in the regular way.
† Admitted to unlisted trading privileges.
‡ Application made for full listing.
§ Bid price.

CURB stocks were under pressure during the past fortnight, with a good deal of liquidation coming on the market induced by a lower trend of prices on other stock exchanges. Some groups were quite irregular because of advances in individual issues, such as the public utility group, in which most of the stocks were comparatively well sustained by the spectacular advances of a few outstanding issues. *American Light & Traction* established a sharp advance of over 50 points in a few days but encountered considerable resistance just under 400 and later lost part of its gain. *Cities Service* made a new high at 60, establishing an advance of about 8 points during the fortnight on a comparatively large volume of transactions.

Among the industrials, *Glen Alden Coal* made a new high at 159, on a strong buying movement that preceded the announcement that the company would take over the Lehigh and Wilkes-Barre Coal Co. and represented a gain of about 25 points for the fortnight. When the "good news" came out, however, considerable selling came into the market and the stock lost a large part of its gain. The aircraft stocks on the Curb were under heavy liquidation during this period. *Aviation Corp. of America* which had established a high just below 90 earlier in the year lost about 30 points in two days of selling that of obviously of distress character. *Transcontinental Air Transport* still continues under pressure and closed the fortnight a point or so about its previous low mark for the year.

Oil stocks were fairly strong during the earlier part of the past fortnight but later sold off in sympathy with the "Big Board" trend of prices. *Vacuum Oil* made several attempts to get into higher price territory but seems to be held back pending the negotiations that are understood to be in progress relative to a merger with Standard Oil of New York. It is reported that these negotiations are making good headway, however, with a definite understanding reached between the management of the two companies. The plan for the consolidation is to form a new corporation to take over both units through an exchange of shares and definite announcement of this new billion dollar petroleum concern may soon be made.

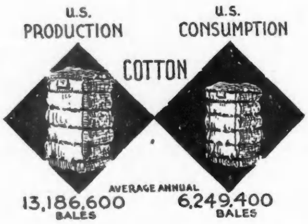
Is America Self-Sufficient?

(*Continued from page 995*)

ties of discovery, better utilization, synthesis and substitutes we can boast rather than worry about the fact that we are largest producers of petroleum in the world, as well as the largest consumers.

On the whole we are in a good position with respect to pyrites, sulphur, talc and soapstone.

Of the minerals not enumerated above we have, generally speaking, an abundance. None in the list is so limited as to affect the question of national self-containment.



Turning to non-mineral resources, our supremacy in cotton is so well-known that it need not be discussed. In other fibres we are notoriously weak, as for instance, silk, jute, sisal, manila, linen and hemp. All our jute comes from India, and much of the burlap into which it is woven. Jute cord ties most medium bulk packages; jute yarn is the foundation of 80 per cent of the carpets, rugs, oil cloths and linoleums. The cotton crop is shipped in bales covered with jute bagging. The United States takes two-thirds of the burlap made in India, and makes most of it into bags or wrapping.

Our wheat and other small grain crops are bound into shocks with twine made from sisal, all of which material comes from Yucatan, Mexico. During the World War our farmers were almost panic-stricken when the Mexican authorities refused for a time to permit the departure for the United States of ships loaded with sisal.

Rubber! All our rubber comes from abroad, principally from the East Indies. The British rubber control had us by the throat for several years, and twenty million American automobile owners were stuck up as effectually as if a footpad had done the job. If the rubber producers should shut off our supplies we would have to garage our automobiles. No other nation is so dependent upon rubber as we. We consume 80 per cent of the world's output and cry for more.

Fifty Years of Lumber

The United States is well supplied with forests. The standing timber will last at the present rate of consumption for forty or fifty years, without recourse to artificial planting or any special reforestation measures. We produce more than half of all the lumber made in the world and consume about half. Of wood of all kinds and uses we produce almost half. The per capita consumption of lumber is declining, and there is no reason to believe that we shall ever have a serious shortage of lumber. The fact that wood is a reproducible industrial material is important in view of the fact that about one-fourth of the area of the United States will be available for forest growing for ages to come. Within limits we can increase our supply of wood with demand. As some of the exhaustible minerals get scarce the demand for reproducible cellulose substitutes will increase. Only Russia, the British Empire and Brazil exceed the United States in forest area, but the United States is in a position always to lead in production. Among forest products of which we are lacking are camphor, cork, quinine and copra. In naval stores we are well off; indeed, supreme.

Of animal products we are lacking in felt, for hats (mostly made from rabbit fur), silk, lac and furs, and we are short on wool and hides—and always will be.

Our most serious forest products shortage is in pulpwood, pulp, and newsprint paper. In 1925 Canada passed the United States as a producer of newsprint paper, and 85 per cent of the Canadian production is used in the United States. Taking paper as a whole, we make more than 80 per cent of what we consume, but more than half of the pulp used in our paper manufacture, and about half of the wood, comes from Canadian forests. This serious deficiency is more a matter of economic rearrangement than of a permanent lack of domestic supplies. If foreign pressure and price unite to stimulate the production of pulp and pulpwood within the United States, an integration of the paper and lumber industries and a migration of the former to some extent from the east to the west and the south would make us self-sufficient. Wood that is now wasted by the lumber mills, or utilized in inferior ways, is capable of diversion to the paper industry and new processes are bringing into utilization species of trees that were not formerly acceptable. When the National Forest resources of southeastern Alaska alone are utilized they will perpetually supply one-third of our pulpwood requirements without forest depletion. But at the present, and for some time to come, we shall be utterly dependent on Canada for a sufficient supply of newsprint, which explains why our press is so indifferent to a protective tariff for the paper industry.

Essential Foodstuffs

Among the important vegetable products that we do not produce at all are coffee and tea—and we have a big deficit in sugar. Perhaps we could cut out coffee and tea if we had to, and we could meet our own sugar requirements, with the aid of our dependencies, if necessity decreed. In the major foodstuffs we are well supplied, and if our back were against the wall we could dispense with virtually all food imports. We raise a surplus of wheat and other small grains, also of corn. We have sufficient meat. We are independent in dairy products. We produce an abundance of the typical fruits and vegetables of the temperate zones and some of those of the tropics.

Self-containment becomes of special importance in time of war. Indeed, it is chiefly because of the fear of war that nations strive to attain at least temporary self-sufficiency. During the last war there were some 200 commodities of which at some time or other we did not have enough or were in danger of encountering a critical shortage. The army officers who studied this phase of the subject came to the conclusion that there are thirty strategic materials, essential to the prosecution of war, that we either do not produce at all or can supply in quantities which are insufficient even for peace time requirements. These thirty materials, most of which have been mentioned above in some relation, are: Antimony, Camphor, Chromium, Coffee, Cork, Flaxseed, Graphite, Hemp, Hides, Iodine, Jute, Manganese, Manila Fiber, Mica, Nickel, Nux Vomica, Opium, Platinum, Potassium Salts, Quicksilver, Quinine, Rubber, Shellac, Silk, Sodium Nitrate, Sugar, Tin, Tungsten, Vanadium, Wool.

The nations that have monopolies or important shares of production in these strategic materials are prone to resort to "controls" which are at times exceedingly embarrassing and always extortionate. Aside from the, now exploded, British rubber control, we have been confronted with quinine, iodine, nitrate, camphor, sisal, potash, coffee, sugar (Cuban), ocean pearl shell and other controls. Portentous as these controls and other possible monopolies are to the United States, our weakness of requiring much is obversely a factor of strength in bargaining. If foreigners have control of a material, we in most cases have the world's main

demand for it, and demand is often more powerful in a bargain see-saw than supply. It only required a little restriction of the American consumption of rubber under Mr. Hoover's astute leadership to knock the bottom out of the seemingly invincible rubber control, although we do not make a single pound of the billion pounds of crude rubber we annually consume.

It is perhaps superfluous to mention our well established capacity to utilize our resources. Our economic organization, whatever may be its faults, is the most efficient that civilization has yet produced.

The physical machinery of efficient utilization surpasses that of any other nation.

Our fuel and water-power sources of energy are superabundant, and their masterly exploitation has multiplied our man-power sixty times.

Our surplus of capital is demonstrated by the golden streams that pour from the banks to all nations without depleting the supply or skimping domestic requirements.

The mechanics of finance and credit are highly developed, our currency is ample and stable, we have a numerous, capable and well trained financial and industrial leadership.

It is true that in the production of gold, the basic metal of money and credit, we are but a poor second to British Africa, but we have half the extant gold of the world and no conceivable contention of circumstances can take it away from us.

Our transportation systems are, to say the least, adequate, with the ominous exception of foreign trade shipping, and that deficiency is in the way of being remedied.

Our almost universal habit of depositing our funds in banks and the widespread practice of security investments keep our huge savings in constant productive or facilitative action. The resources of America's banks—$72,000,000,000—exceed the entire national wealth of Germany and have trebled in fifteen years.

And yet our financial opulence and power undermine our self-containment, in a sense, for we are coming to be dependent upon foreign opportunities to multiply our wealth. We cannot contain our riches. Our power makes us dependent on the weak, and our foreign commitments are hostages to freedom of action and independence of national policy.

Not a Self-Contained Nation

What is the conclusion—what is the answer to the question that is the topic of this discussion? It has unfolded itself as we have gone along. THE UNITED STATES IS NOT SELF-CONTAINED. We could not maintain our present population, with the simplest sort of living standards; and we could not exist at all, according to our present standards, if we were cut off from the rest of the world. Yet, taking our foodstuffs and raw materials into a composite consideration with our manufacturing ability and capacity we are nearer to economic independence than any other great nation. On the score of raw mineral materials and perhaps on the score of industrial raw materials as a whole the British Empire approaches the nearest to industrial self-containment on the modern scale, although the mother country is perhaps the most dependent of the great nations—especially in food. On the simple peasant scale, the palm goes, perhaps, to Russia; which at present is of no consequence as an industrial nation.

But as civilization advances and progresses self-containment for any length of time becomes impossible to every nation. That is another way of saying that one of the price-instalments of the cost of universal peace must be that raw materials shall be freely available to all nations. Export tariffs and embargoes are doomed if war is. But if in the meantime we are to fight with raw material controls instead of cannon the United States is in a position to withstand a lot of punishment even if it has not a monopoly or a virtual monopoly of anything but cotton in the way of raw materials.

No other nation is so near to independence in foodstuffs, raw materials, finance, motive power and mechanical production—taken together—as we.

The writer freely acknowledges his obligation for data for the foregoing article to: Grosvenor B. Clarkson's "Industrial America in the World War"; Dr. Julius Klein's "Frontiers of Trade"; Zon and Sparhawk's "Forest Resources of the World"; William C. Redfield's "Dependent America"; "Commerce Year Book"; "Mineral Resources of the United States in 1928"; *"Mineral Raw Materials"; "Foreign Trade of the United States"; "Summary of the Mineral Production in Foreign Countries" of the U. S. Department of Commerce, and the Federal Trade Commission's Report on "National Wealth and Income."*

(*Continued from page* 1059)

Department stores, on the other hand, occupy a less brilliant position. They are necessarily metropolitan in as much that their size demands a large local buying power. They must maintain large building space and an extensive sales organization. Their other overhead expenses, advertising, publicity, etc., have reached the point where, as one department store head points out, it costs more than the store's profit to gain additional trade. Hence it appears that department stores, per se, have completed their growth. Sales reports seem to verify this view; for in 1927 sales decreased .2% from 1926, in 1928 they gained but .9% and in the year through August, 1929, sales increased only 2.5% over the corresponding period in 1928. In addition, profit margins have been cut to meet other competition with depressing effect on earnings. Mergers of large units have been reported; but it is hard to see how economies of increased buying power will much more than offset the costs of establishing and maintaining a central organization.

The increases in chain store and mail order trade are, of course, directly attributable to high levels of employment and wages maintained during the periods under consideration and to the high farm buying power of the past two years. With prospects for sustained levels of employment and farm buying power, the outlook is most definitely for continued high sales volume and satisfactory earnings in these branches. However, unless some unforeseen rejuvenating influence enters the department store field, little prospect for profit gain presents itself. To return to the original thesis, however, with retail trade as measured by sales of chain stores and mail order companies having maintained high levels throughout the year and giving promise of showing the usual increases through the Fall, high rates of activity in general seem quite justified.

Some Lessons Learned in Making Stock Investments

(*Continued from page* 1028)

Endeavor, of course, to buy those securities in advance which will pay you as near the same amount in interest or dividends that you have to pay your bank on your borrowings. In these times this is hardly possible but in times when securities are cheaper they can be nearly equalized. In taking 10 per cent as an arbitrary figure I mean it to apply to security investments only and not to total worth. In times when conditions seem favorable it might go even higher, at other times lower or even be omitted entirely. This program, of course, calls for confidence in the future of this country, whatever fluctuations may take place

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in security values over a term of years. And remember, the "gray matter" must be exercised all of the time.

Investment Subsidiaries Enhance Bank Prestige and Income

(Continued from page 999)

of the smaller unit. In other instances, bank security companies or affiliated investment concerns were instrumental in acquiring large blocks of bank stocks that paved the way to a subsequent merger.

So far, the expansion of the large banks has been confined within the limits of the cities in which they operate. For example, the recent National City Bank merger with Corn Exchange creates a combined institution which will outrank the Midland Bank, Ltd., of London, heretofore the world's largest banking institution. Yet the 68 branches that were added to the National City "system" were all located within the confines of Greater New York. If Federal laws are changed in the future to permit the extension of branch banking on a national scale, as many bankers hope will be the case, the security companies of the large city banks will unquestionably play an equally prominent role in such future expansion.

Holding Companies

Evidences of this future trend in banking are already to be seen and it is clear from this evidence that the security subsidiaries, investment companies and "holding companies" operated by or affiliated with the large banks will be the medium for working out such extension of the larger banks' "sphere of influence." The Bank of Manhattan, with its broad charter granted in 1799 that permits it to engage in activities other than banking, has just transferred its banking business to a new banking unit known as the Bank of Manhattan Trust Company. The original Bank of the Manhattan Company, under the new arrangement will operate as a holding company for a chain of banking institutions with the remote thought of extending its scope on a national basis when Federal laws make such a move feasible. A quite similar and equally recent move is the Marine Midland Corporation, which plans to control a chain of banks having over a quarter of a billion dollars in resources and headed by the Marine Trust Company of Buffalo.

The growing importance of the bank's activities in the security business has brought about closer affilia-

tion between bankers and the private investment firms. One of the earliest steps in this direction was the consolidation between the Bank of America and the old investment firm of Blair & Company. This paved the way for subsequent affiliations. The merger between Financial and Industrial Securities—the Jonas bank stock company—and Goldman, Sachs Trading Corporation is another straw in the wind.

One of the last "stand-patters" of the important New York banks, the Irving Trust, has at least reached a compromise with the trend of commercial banks to deal in securities by acquiring the Investment Managers Company, which it will continue to operate as an investment trust for the participation of such of the bank's customers who look to their bank for investment service. And so, the "banking only" principle which was so sternly upheld by the conservative banker of a decade ago is passing with the financial changes that brings the banks into the investment business on a tremendous scale.

The advantages that the securities subsidiaries of the banks are bringing to holders of bank stocks is indeterminable as far as dollars and cents income is concerned. In some instances they contribute handsomely to the yearly dividends received but just how much more these units earn for shareholders than is paid out is one of the unknown factors in the bank stock market today. In no cases are these earnings clearly reported, and when indirect clues are available it is generally thought that the real earning power of the investment unit is submerged in the intricacies of bank bookkeeping. In a broader sense, however, it must be recognized that the entrance of the banks into the investment business has sustained the influence of the large banks in Wall Street, notwithstanding the newer tendencies in finance that might have shorn the banks of both earning power and prestige but for the elasticity in operations that these security companies afford.

Important Dividend Announcements

Note—To obtain a dividend directly from the company the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Ann'l Rate		Amount Declared		Stock Record	Payable
6.00	Allied Chem. & Dye com.	1.50	Q	10-11	11-1
$2.00	Amerada Corp.	$.50	Q	10-15	10-31
8.00	Am. Type Fdrs. com.	2%	Q	10-5	10-15
7.00	Am. Type Fdrs. Pref.	1¾%	Q	10-5	10-15
8.00	Amer. Typefds. com.	2.00	Q	10-5	10-15
7.00	Anaconda Cop. Min.	1.75	Q	10-11	11-18
4.00	Baltimore & O. pfd.	1.00	Q	10-11	12-2
7.00	Baltimore & O. com.	1.75	Q	10-11	12-2
6.00	Bethleh. Steel com.	1.50	Q	10-18	11-15
3.00	Brockway Mot. Truck com.	.75	Q	10-15	11-1
3.00	Chicago Yellow Cab	.25	M	10-18	11-1
Stock	Cities Service com. stock	½%	M	10-15	11-1
.30	Cities Service com.	.02½	M	10-15	11-1
3.50	City Stor. Co. Cl. A	.87½	Q	10-15	11-1
4.00	Commonwealth Power com.	1.00	Q	10-11	11-1
5.00	Crucible Steel of Amer. com.	1.25	Q	10-15	10-31
4.00	Freeport Tex. Corp.	1.00	Q	10-15	11-1
7.00	Gotham Silk Hos. pfd.	1.75	Q	10-12	11-1
1.48	Kaufman Dpt. Stores com.	.37	Q	10-10	10-28
2.50	Lehigh Portland Cement com.	.62½	Q	10-14	11-1
2.60	Loose-Wiles Biscuit com.	.65	Q	10-18	11-1
50.00	Mahoning Coal R.R. com.	12.50	Q	10-15	11-1
6.00	Natl. Lead Pfd. B.	1.50	Q	10-18	11-1
....	Normandie Nat. Secur. Corp. Pref.	.62½	Pt Stk	10-15	11-1
Stock	No. Amer. Light & Power com. stock.	2%	Q	10-19	11-15
....	Packard Motor Car Co.	.15	(N)	10-11	10-31
6.00	Pittsburgh & West Virginia Ry.	1.50	Q	10-15	10-31
1.75	Richfield Oil Co. pfd.	.43¾	Q	10-5	11-1
Stock	Sears, Roebuck & Co. stock	1%	Q	10-15	11-1
7.00	United Biscuit Co. of Amer. pfd.	1.75	Q	10-17	11-1
....	Un. Lt. & Pwr. Old Class "A"	.75	Stk	10-15	11-1
....	Un. Lt. & Pwr. Old Class "B"	.75	Stk	10-15	11-1
....	Un. Lt. & Pwr. New Class "A"	.15	Stk	10-15	11-1
....	Un. Lt. & Pwr. New Class "B"	.15	Stk	10-15	11-1
6.00	West Penn Pwr. 6% Cum. Pref.	1½%	Q	10-5	11-1
7.00	West Penn Pwr. 7% Cum. Pref.	1¾%	Q	10-5	11-1

(N) Covering period from August 31 (old fiscal year) to January 1, 1930 (beginning new fiscal year.

For Feature Articles to Appear in the next issue, see page 989

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 20 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Thursday, September 12	85.81	366.35	181.18	303.15	295.01	5,017,310
Friday, September 13	85.68	366.85	181.66	298.79	292.42	5,067,360
Saturday, September 14	85.81	367.01	182.48	300.48	296.28	2,140,920
Monday, September 16	85.93	372.39	182.72	304.58	297.78	4,103,530
Tuesday, September 17	85.98	368.52	182.39	304.99	298.99	4,288,250
Wednesday, September 18	85.95	370.90	182.61	305.72	298.74	4,003,750
Thursday, September 19	85.94	369.97	183.09	311.90	303.90	4,134,460
Friday, September 20	85.82	362.05	182.38	309.76	302.36	4,882,440
Saturday, September 21	85.80	361.16	181.63	305.49	302.33	2,062,890
Monday, September 23	85.75	359.00	181.04	305.53	299.84	4,390,550
Tuesday, September 24	85.69	352.61	179.44	303.07	295.05	4,408,900
Wednesday, September 25	85.58	352.57	177.93	297.66	289.54	4,957,260

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Intimate Talks With Readers

The Federal Tax on Rights

THE manager of a successful little family investment trust recently remarked to the writer that he always exercised their rights, because the income tax payable upon the sale of rights was too complicated to bother with. The computation is a little involved but, seriously speaking, he probably had other reasons for exercising the rights. Stocks which have a long record of rights and stock dividends or split-ups, are the ones which go on advancing in market price year after year.

The method of computing Federal income taxes on rights depends first upon whether the right is to subscribe to stock of the issuing company or to stock of some other company, and in the second place upon whether the rights are exercised or sold.

If the right is to purchase any securities other than stock of the issuing company it appears that the *entire proceeds* from the sale of such rights constitute taxable profits. This is analogous to the ruling that a distribution of stock in another corporation is not a stock dividend but a taxable dividend paid in property, unless exempt because made pursuant to a plan of reorganization.

Upon the exercise of a right to purchase stock other than that of the issuing company, the stock acquired is held to have cost the amount required to be paid for it, except where the price is substantially disproportionate to its value at the time. In the latter event, the excess of fair market value over the purchase price is regarded as a realized gain which is taxable for the year during which the right was exercised. The fair market value at the time such rights were exercised then constitutes the cost basis upon which profits or losses from subsequent sale of the stock must be computed. For example: during 1928, company "A" issues rights to subscribe, at 50, to 100 shares of stock in the "B" company, which has a market value of $100 at time rights are exercised. Taxpayer who exercises his rights would be taxed on a profit of $5,000 deemed to have been realized during 1928. If he sells the stock subsequently at $150 a share, there will be a further taxable profit of $5,000 resulting from the sale, at 150, of 100 shares of stock carried on a cost basis of 100.

Where the right is to subscribe to stock of the issuing company, the cost of the original stock must be allocated between the, stock and the rights, whether the rights are exercised or are sold, in proportion to the relative market values of the original stock and the rights at the time the rights are issued. To illustrate: toward the close of 1927, Warren Brothers common stockholders were offered the right to subscribe at 80, for 1 new common for each 4 shares held. On December 22nd, the old common sold for 148½, ex-rights, while the rights sold for 16¾; making a total market value of 165¼ for stock plus rights. Of this total value, the stock represented 89.86% and the rights 10.14%. If the old stock was originally purchased for 120, its new cost basis for income tax purposes would be 89.86% of 120, or $107.83 per share; so that the cost basis for the rights would be the remainder, namely $12.17 per right, which is 10.14% of 120. Should the holder dispose of his rights, at a net price of $18, instead of exercising them, his taxable profit would be $18 less $12.17, or $5.83 per right. If the stock is subsequently sold for $130, the taxable profit would be $22.17, not $10, per share.

Where the right to subscribe to stock of the issuing company is exercised, the tax basis of the new stock per share is held to be the foregoing tax basis of the number of rights needed to entitle the holder to subscribe to one share, plus the subscription price per share. In the Warren Brothers illustration four rights, assumed to have cost $12.17 each, were required to entitle the holder to buy one new share for $80.00. Hence the cost basis of the new stock would be 4 times $12.17, plus $80—namely, $128.68—per share. When stock in this company is sold, it would be essential to distinguish in the income tax return between new and old stock, since they are supposed to be carried on different cost bases.

If rights entitle the holder to subscribe to a block of two different kinds of stock—say common and preferred —the cost basis of the block should be computed as in the foregoing example, and then allocated between the two issues in proportion to their respective market prices when first admitted to trading.

Financial Notices

Dividends and Interest

AMERICAN ICE COMPANY

15 EXCHANGE PLACE
JERSEY CITY, NEW JERSEY

At a meeting of the Board of Directors, held this day, the following dividends were declared upon the Capital Stock:

One Dollar and Fifty Cents
($1.50) per share
upon the Preferred Stock

Seventy-five Cents (75¢) per share
(at the annual rate of $3)
upon the Common Stock
(without par value)

such dividends being payable on October 25, 1929, to stockholders respectively of record at 3:00 P.M. on October 8, 1929.

HENRY C. HARRISON, Secretary.
September 27, 1929.

Normandie National Securities Corporation

521 Fifth Avenue

NOTICE OF DIVIDEND

Preference Participating Stock

A quarterly dividend of 62½¢ has been declared on the Preference Participating Stock payable November 1, 1929, to stockholders of record at close of business October 15, 1929.

Checks in payment of this dividend will be mailed to the addresses of stockholders as they appear on the books of the corporation unless otherwise instructed in writing.

MELVIN BROWN, *Secretary.*
New York, September 23, 1929.

BAYUK CIGARS INC.

PHILADELPHIA

A quarterly dividend of 1¾% on the First Preferred stock of this corporation was declared payable October 15, 1929, to stockholders of record September 30, 1929. A dividend of 50¢ per share on the Common stock of this corporation was declared payable October 15, 1929, to stockholders of record September 30, 1929. Checks will be mailed.

Harvey L. Hirst, ***Secretary***
September 13, 1929.

ALLIED CHEMICAL & DYE CORP.
61 Broadway, New York
September 24, 1929

Allied Chemical & Dye Corporation has declared quarterly dividend No. 35 of One Dollar and Fifty Cents ($1.50) per share on the Common Stock of the Company, payable November 1, 1929, to common stockholders of record at the close of business October 11, 1929.

H. F. ATHERTON,
Secretary.

MAGMA COPPER COMPANY
Dividend No. 32

A dividend of One Dollar and Twenty-five Cents per share has been declared on the stock of this Company, payable October 15, 1929, to stockholders of record at the close of business on September 30, 1929.

H. E. DODGE, Treasurer.
September 19, 1929.

Dividends and Interest

Otis Elevator Company

Preferred Dividend No. 123
Common Dividend No. 87

A quarterly Dividend of $1.50 per share on the Preferred Stock and a Dividend of $1.50 per share on the Common Stock will be paid October 15th, 1929, to stockholders of record at the close of business on September 30th, 1929. Checks will be mailed

C. A. Sanford, Treasurer

"CANADA DRY"

Ginger Ale, Incorporated
A Delaware Corporation

Dividend Notice

At the regular meeting of the Board of Directors of Canada Dry Ginger Ale, Incorporated, held September 20, 1929, a regular quarterly dividend of one dollar and 25 cents ($1.25) per share was declared, payable October 15, 1929, to stockholders of record at the close of business October 1, 1929.

R. W. SNOW, *Secretary.*

The Baltimore & Ohio Railroad Co.

OFFICE OF THE SECRETARY
Baltimore, Md., September 18, 1929.

The Board of Directors this day declared, for the three months ending September 30, 1929, from the net profits of the Company, a dividend of one (1) per cent. on the Preferred Stock of the Company.

The Board also declared from the surplus profits of the Company, a dividend of one and three-quarters (1¾) per cent. on the Common Stock of the Company.

Both dividends are payable December 2, 1929, to Stockholders of record at the close of business on October 11, 1929.

The Transfer Books will not close.

G. F. MAY, Secretary.

The Cudahy Packing Company

Chicago, Ill., Sept. 20, 1929.

The Board of Directors has this day declared the regular semi-annual dividend of Three Per Cent (3%) on the 6% Preferred Stock of the Company, and Three and One-half Per Cent (3½%) on the 7% Preferred Stock of the Company, payable November 1, 1929 to stock of record October 21, 1929. Also the regular quarterly dividend of $1.00 per share on the Common Stock of the Company ($50.00 par value), payable October 15, 1929 to stock of record October 4, 1929.

A. W. ANDERSON, Secretary.

ANACONDA COPPER MINING CO.
25 Broadway,
New York, September 26th, 1929.
DIVIDEND NUMBER 105.

The Board of Directors of the Anaconda Copper Mining Company has declared a dividend of One Dollar and Seventy-five Cents ($1.75) per share upon its Capital Stock of the par value of $50 per share, payable November 18th, 1929, to holders of such shares of record at the close of business at 3 o'clock P. M., on October 11th, 1929.

A. H. MELIN, Secretary.

Dividends and Interest

Middle West Utilities Company

Notice of Dividend on Preferred Stock

The Board of Directors of Middle West Utilities Company has declared a quarterly dividend of Two Dollars ($2.00) upon each share of the outstanding Preferred Stock, having a par value of $100 a share, and One Dollar and Fifty Cents ($1.50) upon each share of the outstanding $6 Cumulative Non Par Preferred Stock, payable October 15, 1929, to the holders of such Preferred Stock respectively, of record on the Company's books at the close of business at 5:00 o'clock P. M., September 30, 1929.

EUSTACE J. KNIGHT,
Secretary.

COLUMBIA GAS & ELECTRIC CORPORATION

COLUMBIA SYSTEM

September 26, 1929.

THE Board of Directors has declared this day the following quarterly dividends:

Cumulative 6% Preferred Stock
Series A
No. 12, $1.50 per share

Cumulative Preferred Stock
5% Series
No. 2, $1.25 per share

New Common Stock (no par value)
No. 12, 50¢ per share

payable on November 15, 1929, to shareholders of record at close of business October 15, 1929.

Holders of certificates for old Common Stock, still outstanding at the record date, will receive the equivalent dividend but only after such certificates have been surrendered for exchange. Any scrip certificates for half shares of Common Stock, outstanding at the record date or issued in later exchanges, carry the proportionate share of such dividend until surrendered for exchange into new shares in accordance with their terms.

EDWARD REYNOLDS, JR.,
Vice-President & Secretary

Oil Shares Incorporated

Preferred Stock

The regular quarterly dividend of seventy-five cents (75c) per share has been declared on the Preferred stock (par value $50) of this Corporation, payable on October 15th, 1929, to stockholders of record at the close of business on October 5th, 1929. Transfer books will remain open. **CECIL PAGE, Secretary.**

NEWMONT MINING CORPORATION

A Dividend of $1.00 per share has been declared on the stock of this Corporation, payable October 15, 1929, to stockholders of record at the close of business on September 30, 1929.

H. E. DODGE, Treasurer.
Dated September 17, 1929.

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses of the highest standard. They will be sent free on request, direct from the issuing houses.

PLEASE ASK FOR THEM IN NUMERICAL ORDER

We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

THE KNACK OF CORRALLING DOLLARS

is the title of an instructive booklet issued by The Prudence Company, Inc. It points the way to financial independence through the accumulation of guaranteed Prudence-Bonds. Among other things, it shows how they may be purchased through monthly payments of $10 or more, the investor receiving 5½% interest on his payments. A copy of this interesting booklet will be sent to you without obligation upon request. (316).

FOR INCOME BUILDERS

This booklet describes a practical Partial Payment Plan, whereby sound securities may be purchased through monthly payments of as little as $10. Shows how a permanent, independent income may be built through the systematic investing of small sums set aside from current earnings. (318).

THE REAL ESTATE INVESTMENT OF THE FUTURE

Mr. Fred F. French, one of the country's foremost real estate authorities, has explained the operation of the French Plan in the above mentioned book. Send for your free copy. (348).

KEEPING THE INVESTOR INFORMED

How owners of the securities of one of the largest organizations of its kind are kept informed regularly of earnings, developments and plans of the great industries back of their holdings. (362).

WHY WE CHOSE ATLANTA

See what Atlanta can mean to your business. Send for this free booklet giving the experience of more than 600 concerns now in Atlanta. (363).

INVESTORS' GUIDE

This booklet will lead you to complete investment satisfaction and service wherever you live. Write today for your free copy issued by one of the oldest first mortgage real estate houses. (438).

OUR BUSINESS

The small loan field as a profitable investment is fully described in a booklet issued by the National Cash Credit Association and entitled, "Our Business." A copy will be forwarded without charge upon request. (449).

THE APPLICATION OF REAL ESTATE KNOWLEDGE TO REAL ESTATE BONDS

This beautiful booklet, isued by a well-known Chicago first mortgage real estate bond house, explains just what is behind their first mortgage bonds in an interesting way. Why not send today for your free copy? (455).

WINGS OF INDUSTRY

is the title of an aeronautical security publication, issued by a Wall Street house and should be reed for the investment suggestions that it carries. A complimentary copy will be gladly sent you on request (502).

STOCK MARKET PROFITS—MAKING MONEY WITH MONEY

An interesting booklet, describing thoroughly tested and successful methods employed in profitable stock market trading. Also a unique "One Outstanding Stock" method for the investor with limited funds. (504).

BONDS AND HOW TO BUY THEM

"Bonds and Stocks," "Classes of Bonds," "Factors of Bond Values," "How Bonds Differ and How to Select them." These and other subjects of interest to the prospective purchaser of bonds are discussed in our booklet, "Bonds and How to Buy Them." Copy on request. (509).

PAINE WEBBER REVIEW

published semi-monthly by the well-known New York Stock Exchange house, will be gladly sent to you on request. It contains besides general comment on the developments in the stock market, specific recommendations of securities. Ask for 521.

KEYSTONE INDUSTRIES

reviews monthly some phase of the leading natural resources of the Dominion of Canada. Issued by Williams, Brochu & Co., Inc., a prominent Montreal investment house. This circular will be sent gratis. (534).

THE PARKER PEN COMPANY

The common stock of this Wisconsin corporation, one of the largest manufacturers of fountain pens and mechanical pencils in the world, is offered and recommended by A. G. Becker & Co., a prominent investment house. Send for complimentary copy of 4-page folder describing this attractive investment. (559).

A THIRD OF A CENTURY OF SOUND INVESTMENTS

This 16-page booklet should be sent for today. Issued by Clarence Hodson & Co., Inc., it outlines the growth of the House of Hodson and points out that the company has established, organized or financed 44 national banks, 6 state banks, 7 trust companies, 1 investment company and 4 insurance companies. Send for your free copy. (569).

FAR-FLUNG OPERATIONS OF STANDARD DREDGING COMPANY

include Los Angeles Harbor work, Houston Ship Canal from Galveston to Houston, Intercoastal canal in Calcasieu Parish, La., grade raising for the city of Galveston, Texas, the city of New York in Jamaica Bay, the United States Government in Honolulu and Pearl Harbor, Hawaii, the Mexican Government and major oil companies at Tampico, Mexico. Their convertible Deference Stock and Common Stock are listed on the Chicago Stock Exchange and offer good possibilities at present market prices. Send for 577.

VICK CHEMICAL COMPANY

This company is discussed in a bulletin that has been prepared by Goodbody & Co., members New York Stock Exchange, which will be forwarded free of charge for the asking. (590).

AN INVESTMENT TRUST INTERNATIONAL IN SCOPE

The executives of the Atlantic and Pacific International Corporation have been chosen for their practical experience, their ability, and their judgment of investments. A circular giving list of officers and latest financial report will be sent upon request. (607).

GODDARD SECURITIES CORPORATION

has been recently organized with broad powers to acquire, hold, sell, and deal in stocks, bonds, debentures and other securities. A substantial portion of the corporation's funds will be invested in the securities of natural gas, utility enterprises, upon which a descriptive circular has been prepared and will be mailed upon request. (616).

TRI-UTILITIES CORPORATION

This great public utility system, operating in twenty-six states extending from the Atlantic to the Pacific, offers you the opportunity of investing soundly in their Five Per Cent Convertible Debentures with the additional advantage of participating in the profits accruing to ownership of the corporation's common stock. Write for special folder. (617).

BANK STOCKS

A special memorandum on Bank Stocks has been prepared by Hornblower & Weeks, members New York Stock Exchange, and a complimentary copy will be forwarded upon request. (618).

$25,000,000 BANKS

The First National Corporation of Boston has prepared a circular giving brief statistical data on banks throughout the United States having deposits of approximately $25,000,000 or over. This circular will gladly be furnished upon request (619).

THE SEAL THAT CERTIFIES SAFETY

Issued by General Surety Company, gives important information regarding your investments and the part the seal of this company plays in guaranteeing payment of principal and interest when due. Send for 620.

ELECTRIC POWER CORPORATIONS

A statistical table has been prepared by J. R. Schmeltzer & Co., which gives valuable information to investors regarding contemplated investments in any of these companies. Send for your free copy. (621).

SOUTHWEST DAIRY PRODUCTS CO.

The 7% preferred stock carries warrants to purchase 1⅓ shares common stock at 12. Listed on the New York Curb, investors should look into its profits possibilities. Send for descriptive folder 622.

NEW YORK CITY BANK STOCKS

offer unusual opportunities for continued appreciation. At the present time Equitable Trust and Guaranty Trust are particularly recommended in an interesting circular prepared by Broomhall, Killough & Co. Send for your complimentary copy. (623).

BANKS AND FUTURE BANKING

An analytical review of banks and future banking has been prepared by Edwil Weisl & Co., members New York Stock Exchange, and a copy will gladly be mailed. (624).

SEVEN BANKS

The stock of Bank of America, Bank of Manhattan, Bankers Trust, Chase National, Guaranty Trust, Irving Trust and National City Bank are specialized in by Charles E. Doyle & Co., and analyses will be gladly furnished upon request. (625).

CORROON & REYNOLDS CORPORATION

A holding company for shares of insurance companies, insurance management and agency corporations whose common stock, traded on the New York Curb Exchange, is recommended by Merrill, Lynch & Co. in a descriptive circular. Send for your copy. (626).

PRIZE INVESTMENT LIST COMPARISONS

This folder compares the record of Financial Investing Co., of New York, Ltd., with the results achieved during the past four years by 14 prize-winning investment recommendations. It shows how Financial Investing shares gained 59% in value and returned an average of 13.35% to investors. Send for 628.

DEPARTMENT STORE INDUSTRY

Samuel Ungerleider & Co., members of the New York Stock Exchange, have prepared a bulletin discussing the position and outlook of the department store industry, as well as a review of fifteen leading stores. Send for 629.


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